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THESIS

CASH MANAGEMENT IMPROVEMENT IN THE NAVY TRAVEL ADVANCE SYSTEM

by

Wesley Craig Weesner

December 1984

Thesis Advisor: Joseph San Miguel

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Cash Management Improvement in the Navy

Travel Advance System

by

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Submitted in partial fulfillment of the
requirements for the degree of

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I. INTRODUCTION

A. GENERAL INFORMATION

The federal government currently manages an annual cash flow of over $1 trillion. The combined forces of high interest rates, huge budget deficits, and available technology require that this cash flow be managed as efficiently and effectively as possible.

In the past two decades, significant advances have been made in cash management techniques. The private sector was the early leader in adopting these improved capabilities. However, in the past ten years, there has been considerable cash management activity in the public sector as well. The Department of Treasury and the Office of Management and Budget have assisted other federal agencies in developing cash management improvements. Recent legislation and Presidential reform initiatives in the field of cash management have had a definite impact on the operations of all federal agencies.

B. NEED FOR A STUDY OF TRAVEL ADVANCE METHODS

The fiscal year 1984 travel budget for the Department of Defense was over $3 billion. Navy travel accounted for about 24% of this total or about $720 million [Ref. 1: p. G2-10]. At any given time, a substantial amount of these

funds are outstanding in the form of advance travel payments. In the current system, Treasury funds are disbursed prior to the actual performance of travel and many of these advances result in overpayments which must subsequently be tracked and collected. Also, the Navy has experienced a longstanding problem of significant numbers of travel claims not being filed in a timely manner.

The Pay, Travel, and Disbursing Systems division of the Office of the Comptroller of the Navy has requested that a study of alternate travel advance methods be conducted.

C. OBJECTIVES AND SCOPE OF THE THESIS

The objective of this thesis is to consider the feasibility of adopting alternate travel advance methods within the Department of the Navy. Programs which appear to be most beneficial are to be recommended for field testing.

Both private sector and public sector methods are to be considered. The alternate methods are to be compared to the current Navy system in areas such as (1) the timing of Treasury fund drawdown, (2) convenience for travelers, and (3) whether or not the system provides an incentive for travelers to file travel claims expeditiously.

D. METHOD OF RESEARCH

A review of the literature that was available from the following data bases was completed:

1. Defense Logistics Studies Information Exchange, U. S. Army Logistics Management Center, Fort Lee, Virginia.

2. Defense Technical Information Center and Defense Documentation Center, Defense Logistcs Agency, Cameron Station, Alexandria, Virginia.

3. The Naval Postgraduate School Thesis, Technical Reports, and General Collections, Monterey, California.

Interviews were conducted with directors and program managers of travel advance systems in the Navy, the Army, the Army Corps of Engineers, the Department of Treasury, the General Services Administration, and the Department of Defense. In addition, one Army and three Navy field level travel offices were visited in order to observe current travel system operations.

E. THESIS ORGANIZATION

The first chapter of this thesis introduces the topic of cash management as applied to travel advance payments. It also describes the research objectives and methods.

Chapter two provides background information on the development of cash management in the private and public sectors. It discusses cash management regulations as applied to the Department of Defense.

Chapter three describes the travel advance method that is currently used in the Department of the Navy. It also describes several travel advance methods that have been adopted by private corporations.

Chapter four provides a description of the travelers check system which is currently being used in the Army. The strengths and weaknesses of this system are also discussed.

Chapter five describes the use of charge cards in travel systems. The General Services Administration contract with Diner's Club, Inc. is discussed in detail.

In Chapter six, the current Navy system is compared with the previously introduced travel advance methods.

Chapter seven includes a brief summary of the study findings. Conclusions and recommendations for further study are then made.

II. CASH MANAGEMENT

A. BACKGROUND INFORMATION

"Cash Management" is a concept that has received a considerable amount of attention in recent financial management literature . The Office of Management and Budget (OMB) has defined cash management as "getting the most out of the time value of the money that we collect, hold, and disburse" [Ref. 2: p. 27]. Cash management can be considered to be an integral part of the wider field of "financial management". The overall objective of financial management is the effective utilization of scarce resources for the achievement of organizational goals. Therefore, cash management is not fundamentally different from management of other financial assets such as accounts receivable or inventories [Ref. 3: p. 2].

There are three basic requirements of an effective cash management program. First, receipts should be collected and deposited as soon as possible. Second, payments should be made when due. Neither early payments nor late payments are in accordance with effective cash management policy. Third, idle cash balances should be minimized. [Ref. 4: p. 3]

For many years, the private sector was considerably ahead of the public sector in the field of cash management. "In the ten year period 1965 to 1975, the government fell at

least a generation behind the private sector in cash management sophistication." [Ref. 3: p. 56] It has been a widespread practice in private enterprise since about the mid 1960's. During this period, several factors influenced the development of cash management practices. Interest rates had reached levels that were higher than at any other time in the post World War II period. The opportunity cost became sufficiently high to warrant the expense of managing cash. Also, through the development of high speed data processing and telecommunications, corporate managers were able to monitor and control cash over widely dispersed organizations. In addition, inflation and increasing company size had raised the absolute level of cash available. This further increased the opportunity cost of holding cash. Finally, many regional banks began to offer cash management services to large firms that had traditionally dealt primarily with money center banks. [Ref. 3: p. 3]

B. CASH MANAGEMENT IN THE FEDERAL GOVERNMENT

The value of effective cash management is directly proportionate to the volume of cash flow involved. Considering the Federal government's annual cash flow of over a trillion dollars, it is readily apparent that effective cash management practices are of significant importance. In 1978 interest on the public debt was about 10 percent of the Federal budget. Today it is

over 12 percent [Ref. 1: p. 24]. Effective cash management in the government results in increased availability of funds to the Treasury. This directly impacts on the amount of Federal borrowing which is required to finance deficits or avoid liquidity shortages [Ref. 5: p. 3].

Cash management became a subject of interest at the Federal department and agency level during the decade of the 1970's. The Department of Treasury had been managing the government's money supply for almost two hundred years. However, it was only during that decade that the Treasury Department actively shared its concern for and expertise in the management of cash with the other departments and agencies. [Ref. 3: p. 1]

One of the significant Federal cash management initiatives was the creation in 1971 of the Division of Banking and Cash Management within the Treasury Department. The mission of this division included coordinating and assisting Federal agencies in designing programs which ensure that the government's money is effectively managed [Ref. 3: p. 1]. A significant achievement in identifying opportunities for cash management improvement in the Federal government was the 1976 Money Management Study of the Joint Financial Management Improvement Program (JFMIP). Methods were recommended to accelerate receipts and better control disbursements and working cash balances. [Ref 6: p. II 6]

In December 1976, the Treasury Department released Circular No. 1084 which was designed to broaden the Treasury Department's overview of cash management practices within the Federal agencies. The circular applied to all government agencies and required that agencies conduct cash activities in a manner that would maximize the amount of cash available to Treasury on a continuing basis. Agencies were directed to consider the earning value of cash balances in determining the cost/benefit relationship of financial decisions. [Ref. 4: pp. 30-31]

In November 1977, President Carter directed his reorganization staff and the Treasury Department to conduct a comprehensive review of cash management practices throughout the Federal government. The Federal Cash Management Project was formed in response to the directive. The goal of the project was to research methods of applying cash management techniques to the government's cash flow. The project initiated more than 80 improvements which were projected to result in an annual savings of over $450 million in interest payments. [Ref. 7: pp. 1, 6]

Another result of the President's Reorganization Project was the publication in May 1978 of the Treasury Fiscal Requirements Manual (TFRM) - Chapter 8000, Cash Management. Chapter 8000 provided specific guidance to all agencies to insure consideration of cash management when

developing regulations, systems, and instructions. It also provided specific guidance on billings and collections, deposits, disbursements, cash advances, and cash held outside the cash account of the Treasury Department. [Ref. 8: p. 3]

In November 1978, the Treasury Department implemented regulations to earn a return on operating cash by investing such cash in depositories maintaining tax and loan accounts. Initial annual savings were $75 million and were expected to increase significantly over time [Ref. 7: p. 37]. Then, in May 1979, the Office of Management and Budget (OMB) created the Financial Priorities Program. Cash management was identified as one of the major financial issues facing the Federal government at the time. [Ref. 3: p. 1]

During the 1980's, cash management initiatives in the Federal government have increased rapidly. The numerous laws which address cash management issues show that lawmakers want government managers to handle money more efficiently. Examples include the Prompt Payment Act, the Debt Collection Act, and the Federal Managers' Financial Integrity Act. The current Administration is also extremely interested in improved money management. This has been evidenced by the President's Council on Integrity and Efficiency, the Grace Commission, the President's Reform '88 Project, OMB Circulars A-123 and A-125 and OMB Bulletin 83-6 [Ref. 9: p. 23]. The President's Council on Integrity and

Efficiency (PCIE) was established in 1981. It has been influential in implementing numerous cash management initiatives throughout the Federal government. Most of these improvements have been in the area of timely debt collection procedures. [Ref. 10: p. 38]

During fiscal year 1983, the Treasury Department became responsible for the cash management provisions of the President's Reform '88 initiatives. During that year, the Department reviewed and approved the cash management plans of 20 Federal agencies. As a result, the government saved over $144 million in interest costs for 1983. Also, a management information system, CASHMAN was developed to aid Treasury Department officials in monitoring the different agencies' cash management practices. [Ref. 10: p. 22]

The previously mentioned Joint Financial Management Improvement Program sponsors an annual financial management conference in order to keep Federal managers informed of current financial management techniques. The thirteenth annual conference was held in April, 1984. At the conference it was announced that in fiscal year 1983, cash management improvements within the Treasury Department resulted in interest savings of $600 million. Cumulative interest savings of $4 billion are expected by 1988. [Ref. 10: p. 1]

C. IMPEDIMENTS TO PUBLIC SECTOR CASH MANAGEMENT

One of the problems in developing effective cash management initiatives within Federal agencies is that there is little direct incentive for managers. As stated in the President's Reorganization Project Report:

> There has been little incentive in the Federal Government for program and financial managers to practice cash management. Managers, in general, received no rewards or penalties as a consequence of the way they manage collections and disbursements. With few exceptions, agencies and departments experience no direct cost or benefit related to the cash flows they handle. This absence of incentives for managers has tended to result in a lack of attention to managing cash flows, including a low priority for developing modern cash management systems, practices and techniques. [Ref. 3: p. 53]

In the private sector interest is charged directly to a business and the managers are very aware of interest costs [Ref. 4: p. 9]. One of the problems in the public sector is that the Treasury Department is responsible for supplying the necessary cash to support Government programs and any costs associated with the acquistion of this cash is reflected in the Treasury's budget [Ref. 4: p. 42]. If an action taken by an agency saves that agency money, there is an incentive to take that action. However, there is little incentive when an agency expends its own resources and the benefit is gained by another agency (in this case the Treasury Department). [Ref. 4: p. 15]

"Perhaps the most difficult task of a cash management function is to achieve a level of understanding among other functional managers such that time value of money considerations are included in all relevant decision making processes." [Ref. 11: p. 8] Lack of motivation for Federal managers has been a problem in reaching this goal. However, some recent steps have been taken to alleviate this problem. Cash management initiatives have been included as a critical function of Senior Executive Service and Merit Pay programs. Also, achievement and suggestion awards can be granted for effective cash management. [Ref. 5: pp. 3-5]

D. EXAMPLES OF FEDERAL CASH MANAGEMENT INITIATIVES

Numerous cash management improvements have been made within Federal agencies in the past ten years. One general area includes methods used to accelerate collections. In many cases, Depository Bank Accounts (also called Treasury General Accounts) are being used to expedite the flow of funds to the Treasury after an agency has received them [Ref. 9: p. 23]. Another increasingly popular method of accelerating receipts is through the use of the Treasury Financial Communications System (TFCS). This is an electronics fund transfer (EFT) system which enables the Treasury to receive funds almost immediately through transfers from any bank in the country [Ref. 4: p. 37]. New methods are being developed to provide agencies with access

to the TFCS. By 1983, 70 percent of civilian agency large vendor or miscellaneous payments had been converted to electronic funds transfer. The Treasury Department plans to convert virtually all grant payments to TFCS by the end of 1985. [Ref. 10: p. 3]

Many agencies are using a "lockbox" system for cash receipts. In this system, incoming receipts are forwarded to a commercial bank by the debtor for immediate deposit to the Treasury Department. Under the previous method of payment, receipts were first forwarded to an individual agency which would, in turn, make a deposit through a commercial bank. The lockbox system accelerates the actual credit of cash receipts into the Treasury thereby reducing Federal borrowing. [Ref. 10: p. 50]

Another general area of cash management improvements has been in the method of making payments. Here again, the Treasury Financial Communications System has been very effective. Using TFCS for payments allows disbursements to be made so that recipients are paid on the due date. This eliminates interest cost due to early payments and interest penalties due to late payments. The Treasury's costs for commercial bank services are reduced because of the reduction of check processing requirements. Also, use of TFCS provides Treasury with more accurate and timely funds information which aids in cash forecasting. [Ref. 10: p. 45]

Most pertinent to this study of travel advances, many agencies have instituted cash management improvements in their travel systems. For example, the Federal Bureau of Investigation and other agencies have issued credit cards to employees who travel frequently in order to decrease cash advances. In September 1983, the General Services Administration announced a contract award to Diners Club for the issuance of charge cards to be used by Federal employees. The cards will cover transportation, subsistence and other allowable travel expenses incurred during official travel. Total outstanding cash advances are expected to be significantly reduced. The Department of Interior has instituted better cash management practices in liquidating outstanding travel advances. A coordinated effort resulted in over a $2 million reduction in travel advances over a two year period. [Ref. 10: p. 48, 51]

Many future programs for better cash management within the Federal government are in the planning stages. One possibility of future development in the 1990's includes establishment of a national financial information network. Regional centers would be able to input data which could be accessed by local managers, headquarters of the various Federal agencies, and central financial agencies. A national financial information network could improve Treasury cash management, cash forecasting, and Government-wide financial reporting. [Ref. 10: p. 4]

E. CASH MANAGEMENT WITHIN THE DEPARTMENT OF DEFENSE

The Treasury Cash Management Regulations (I TFRM 6-8000) which were published in 1978 applied directly of all Federal agencies including the Department of Defense. OMB Bulletin 83-6 and the Prompt Payment Act of 1982 also significantly affected cash management practices within the Department of Defense.

DOD has instituted improved cash management practices in numerous areas. For example, in 1978 DOD assumed responsibility for managing and funding the overseas military banking program. DOD established competitive bids for essential banking services on military installations in countries which were not constrained by a conflicting Status of Forces agreement. This program saved over $14 million in its first year of implementation through competitive pricing and reduced interest costs. [Ref. 7: p. 16]

Another example of the effective use of cash management techniques is in the Defense Security Assistance Agency of the Defense Department. The agency collects approximately $200 million annually from foreign governments on Foreign Military Sales accounts. The previous system was slow in that checks took several days of processing time before being deposited in a Treasury account. To expedite the process, a Treasury deposit account was started at a commercial bank in Washington D.C., where all of the

agencies collections were deposited daily. It was estimated that about $700,000 in interest cost would be saved annually. [Ref. 10: p. 48]

In March 1983, the Army converted its Joint Uniform Military Pay System (JUMPS) to use electronic funds transfers. Their system now interfaces with the Federal Reserve Bank data distribution network and can now use electronic funds transfers within the continental U.S. This enhancement replaces the older system in which checks and composite listings were mailed to nearly 10,000 financial organizations monthly. [Ref. 10: p. 53]

The Department of the Navy has recently expanded the use of Automated Teller Machines (ATMs) afloat. This has improved cash management by reducing the on board currency levels and the number of Treasury checks issued. In like manner, this system has reduced the number of manhours required for payday activities. Also, the Department of the Navy has greatly increased the use of electronic funds transfers for both disbursements and collections. [Ref. 12: p. 6]

It is readily apparent that effective cash management has become an absolute requirement throughout all agencies of the Federal Government. The cash management initiatives of the past ten years have already produced significant savings of Federal funds.

This study will focus on possible cash management improvement in the Navy's method of travel advance payments.

III. CURRENT NAVY AND PRIVATE SECTOR TRAVEL ADVANCE SYSTEMS

A. NAVY TRAVEL REGULATIONS

The Joint Travel Regulations manual (JTR) states that "travel and transportation allowances prescribed herein are authorized to be paid in advance. Procedures and conditions under which advance payments may be made will be prescribed in the respective administrative regulations of each of the Uniformed Services." [Ref. 13: p. 23] The Navy's main directive which governs travel is the U.S. Navy Travel Instructions manual. This instruction authorizes advance payments on both Permanent Change of Station (PCS) and Temporary Additional Duty (TAD) travel. The instruction states, "On orders directing travel in connection with temporary additional duty, advance payment of the transportation and travel allowances is authorized. Advance payment will be computed on the basis of amounts to be reimbursed for transportation plus estimated per diem for travel time and periods of temporary additional duty." [Ref. 14: p. 14]

Advance payment is authorized in the exact amount anticipated to be earned. For temporary additional duty travel orders, the traveler's permanent command will normally complete an estimated cost which is entered on the travel orders. This figure is used for obligation of funds

purposes. The local disbursing office will calculate the estimated cost on the travel orders (including transportation, per diem, and miscellaneous expenses). According to the U.S. Navy Travel Instructions, this total sum can be advanced to the traveler. However, this provision has been modified by other directives. Disbursing offices are currently authorized to pay a maximum advance of 80% of the estimated travel order cost. [Ref. 14: p. 43, 49-51]

The regulations do not specify the amount of lead time prior to a scheduled travel period that an advance can be paid. According to disbursing office personnel at several Naval facilities, most travel advances are usually paid within one week prior to the start of the travel period. A Treasury check is the most common method of payment.

B. PRIVATE SECTOR TRAVEL SYSTEMS

Business travel expense has become a significant cost in many companies. In most companies, travel and entertainment is the third largest controllable operating expense, exceeded only by salaries and data processing. It is estimated that American businesses spent over $70 billion on business travel and entertainment in 1981. [Ref. 14: pp. 88-89]

Several general methods have been developed to control and administer this business travel. These approaches can

be divided into two broad categories: "employee funded" and "company funded". In an employee funded program, travelers use their own funds or credit vehicles (such as charge cards) to pay for travel related expenses. At the end of the travel period, the employee submits an expense report and is subsequently reimbursed for allowable expenses.

This system has the advantage of simplicity and it allows the company to avoid costly advanced travel payments altogether. It also encourages prompt reporting since the employee is anxious to receive reimbursement prior to the due date of charges incurred on personal credit vehicles. However, this system has significant deficiences. The method does not provide the company with a very high degree of travel expense control and does not provide adequate management information. Probably the most significant drawback is the lack of employee acceptance. Employees resent having to use their personal credit or funds for company business. Furthermore, this practice limits the amount of credit available for the employees own use. [Ref. 16: pp. 45-46]

There are several types of company-funded programs which are in general use. These include: cash advances, charge cards, direct billing systems, and bank drafts. In most cases, companies use some combination of these systems. In fact, some companies use all of the above methods in their

travel programs. This tends to greatly increase the administrative burden of the company's travel system. [Ref. 16: p. 46]

1. Cash Advance

The earliest travel advance method was the use of cash advances. In 1981, a survey indicated that approximately eighty percent of American companies still allow some form of cash advance in their company travel programs. In many cases, cash advances are only used to supplement another type of program in order to cover incidental expenses. However, some of the companies which were surveyed in 1981, had up to 10% of their annual travel budgets tied up in cash advances at any given time. [Ref. 17: p. 83]

The cash advances can be permanent or temporary. Permanent advances are usually held by executives who frequently have to travel on a short-notice basis. Temporary advances are issued before each scheduled period of company travel. Permanent advances are costly for a company in terms of cash flow and are subject to serious abuse. An example is cited in which a company changed their travel policy and asked executives to return their travel advances. The senior managers were shocked when many of the executives said that the funds could not be returned

immediately. They said that their "advances were in money market funds and it would take a while to get them out." [Ref. 18: pp. 184, 187]

In the temporary advance system, the cost of the travel period is estimated and the company advances cash in order to cover anticipated expenses. The program directly supports the traveler in that the employee is completely paid in advance. However, there are significant disadvantages to the company. This policy involves considerable negative "float" for the company's funds. In other words the company is disbursing money sooner than the expenses are actually incurred by the employee. In some cases, employees receive cash advances more than a week before the travel period is even scheduled to begin and the travel may extend for several weeks. Another drawback to this type of system is that companies do not receive sufficient management information to negotiate corporate discounts for items such as lodging and car rental. Also, the employee has little incentive to submit expense reports in a timely manner. [Ref. 16: p. 46]

2. Direct Billing System

One improvement over a strictly cash advance travel program is the direct billing system. Participating companies are billed directly by travel agencies for items such as transportation and lodging. The travel agency

handles many of the travel planning details and the company does not pay any additional amount for the service. The agencies usually bill on a weekly basis. This system is convenient for the employee and it provides some useful management information for monitoring and controlling purposes. However, it is of limited value in extending the company's float for travel expense payments. [Ref. 16: p. 46]

3. Draft Payment System

Another method currently being used is a draft payment system (also called "letters of credit"). This system is frequently used for employees such as traveling route salesmen. In a typical system, each participating employee is assigned a weekly expense limit. They are also provided with a book of drafts and an authorization letter. The drafts are imprinted with the company name and bank name. The traveler usually cashes one draft per week in the exact amount of his/her total reimbursable expenses for the period. The drafts can be cashed at most banks and in many hotels and other retail establishments. The traveler then forwards a carbon of the draft and any required receipts to the company headquarters for processing. [Ref. 19: pp. 61-62]

One of the largest administrators of draft payment systems is the Traveletter Corporation. Traveletter had

approximately 3,000 corporate clients in 1981 including several large companies such as Alcoa, Olin, and Western Electric. Costs of Traveletter services vary with the number of travelers that a company enrolls. For example, in 1981 if a company had 200 travelers, each drawing about $250 per week from the draft system, the annual fee per traveler was approximately $28. [Ref. 20: pp. 84-85]

Advantages of the draft system include its relatively low cost and the elimination of standing advances for traveling personnel. It also prevents delays for travelers in waiting for expense account verification and it encourages the travelers to file expense reports in a timely manner. The draft system has several safeguards which protect the company and the cashing establishment. These include: (1) an expiration date, (2) a specific number assigned to each traveler, (3) traveler's signature, (4) bank name, (5) dollar limit for the expense period and (6) an endorsement section for the cashing establishment [Ref. 19: pp. 61, 126]. One disadvantage of the draft system is that it usually is operated on a weekly payment basis. This limits the "float" potential available to the company. [Ref. 16: p. 46]

4. Charge Card

Another method used for company travel is the charge card. Some companies have adopted "limited purpose" cards while others are using general purpose "corporate" cards.

Examples of limited purpose cards include those cards used to charge car rentals or airline tickets. This system does provide a decrease in the amount of cash advances that the company must provide. However, each card covers only a portion of the traveler's possible expenditure requirements. The burden of reconciling different bills, in different formats can add considerably to the administrative cost of a company's travel program. [Ref. 15: p. 88]

One of the most sophisticated travel programs is the corporate charge card system. Company travelers are issued a charge card which is imprinted with the company name and the employee's name. Two billing methods are currently being used with this type of program. In one system, the company is billed for all employee charges. In the more popular version, the employee is billed directly by the charge card company on a monthly basis. [Ref. 16: p. 46]

Diners Club, American Express and Carte Blanche offer similiar programs. The card systems provide management with excellent control over travel expenses and aid in recordkeeping. All three programs also offer free travel insurance for company travelers. The charge card system provides a significant "float" advantage for participating companies. If just cash flow is considered, the advantages to the company are maximized in the centralized billing method. As one company treasurer

stated, "It takes anywhere from 60 to 90 days for travel expenses to be incurred once the vouchers are processed, sent to the card companies and then sent to us- which is like having three month's credit without paying interest." The "float" advantage for the company is decreased slightly in the non-centralized billing system. The employee is usually reimbursed by the company prior to the due date of his/her credit card charges. [Ref 20: pp. 87-88]

The credit card system eliminates the requirement for all other systems except for small cash advances for miscellaneous travel items which would be difficult to charge. These include travel expenses such as ground transportation, tips, laundry, and fast-food restaurant meals. These miscellaneous items are estimated at only 10% of required travel expenses. [Ref. 20: p. 88]

C. TRAVEL EXAMPLES IN THE CURRENT NAVY SYSTEM

This section will discuss examples of temporary duty travel using the current Navy travel advance method. Particular attention will be paid to the traveler's incentive to expeditiously file a travel claim after the conclusion of travel. As previously noted, the Navy has experieinced a problem with personnel not filing travel claims in a timely manner.

The current Navy system is basically the same as a corporate cash advance system except that Treasury checks

are issued instead of currency or business checks. For these examples, it is assumed that a two-week scheduled travel period is expected to result in a reimbursable cost of $800. It is further assumed that the traveler receives a travel advance of $640 (80%) in the form of a Treasury check.

1. Travel Cost Estimate Is Accurate

In this scenario, the traveler has incurred reimbursable expenses of approximately $800. The $640 cash advance was insufficient to completely pay for these expenses. The traveler would have had to use his/her own funds or credit to cover the additional $160 required for the trip. At the end of the trip, the traveler has an incentive to file a travel claim as soon as possible. He/she would be eligible for an additional $160 payment.

2. Reimbursable Travel Costs Overestimated

This situation can be the result of a shortened travel period, inaccurate cost estimates, cancellation of travel requirements, etc. In some cases, the amount of actual travel expenses is less than the original estimated costs but more than the travel advance amount. In others, the amount of reimbursable travel expenses is less than the travel advance amount. In the latter case, the traveler will be required to pay back the amount in which reimbursable expenses were exceeded by the travel advance. The traveler will have no incentive to file a travel claim

expeditiously since a payment to the government will be due after the claim is settled. In the meantime, the traveler has the use of the excess advanced funds. This is an unnecessary expenditure for the government which results in additional interest expense.

3. Reimbursable Travel Costs Underestimated

This situation can result from inaccurate cost estimates or an unforseen extension of the travel period length. The travelers have two options. They may choose to pay the additional expenses with their own funds or credit. Alternatively, in some circumstances such as a travel period that has been extended, they may be eligible to request a travel order modification and additional travel advance from their permanent command. Once the order modification has been received, they can receive a supplemental advance either from their home station or at their temporary additional duty location.

At the end of the travel period, the traveler's incentive to promptly file a travel claim would depend on which option had been used. If the traveler had used his own funds or charge cards, he/she would be eligible for an additional payment and would have an incentive to file the travel claim as soon as possible. If a supplemental advance had been paid, the traveler would have an incentive to file promptly only if he/she expected that the funds advanced were less than the total reimbursable expenses.

IV. THE ARMY TRAVELERS CHECK PROGRAM

A. BACKGROUND INFORMATION

One possible approach to improving advance travel payment methods is the Army's travelers check program. The program was an outgrowth of an earlier program which was designed to reduce the costs incurred by Army trainees for travelers checks and money orders. In 1982, the Army Audit Agency (AAA) estimated that Army personnel were spending approximately $1.5 million annually for travelers checks and money orders. Army officials proposed that the Treasury Department make available a "Government travelers check" which could be issued to personnel by Finance and Accounting Offices (FAOs). In July 1982, the proposal was declined by the Treasury Department due primarily to the administrative requirements of the program and the fact that travelers checks were available from the private sector. [Ref 22: p. 1] Army officials continued to be interested in the capability of issuing travelers checks and the proposed uses were expanded to include advanced travel payments, separation payments and other personnel advance payments.

In November 1983, the Army commenced an operational test of the use of travelers checks in Finance and Accounting Offices. Contracts had been negotiated with four commercial vendors of travelers checks. The vendors included: Chase

T/C Service Corporation, Bank of America, Republic Bank of Dallas, and Central Bank of California. These four commercial banking institutions were selected on a competitive bid basis. Eighteen test sites throughout the U.S. were chosen to participate in the test. These eighteen sites had responded to a request for volunteers to participate in the test program. Each vendor had contracted to provide a total of $1.25 million in travelers checks allocated among either four or five of the test sites. [Ref 23: p. 18]

The contracts with each vendor were basically similiar. An example of a contract which was in effect during the test timeframe is included as Appendix A. Each of the vendors provided an initial maximum travelers check inventory of $175,000 at each test site. The vendor, at its expense, was to provide the actual travelers checks, all necessary records and report forms, and related accessories (such as customer wallets). The unused accessories and all unused or spoiled travelers checks remained the property of the vendor. In addition, the vendor was to provide a series of monthly reports to the Army Finance and Accounting Center. These reports included (1) checks issued, (2) checks outstanding, (3) check inventory levels, (4) checks reported lost, stolen, voided or refunded, (5) checks prepaid, and (6) float account analysis [Ref. 24: pp. 2, 3]. In this context, "float represents funds in the hands of both the

travelers check receiver and the travelers check contractor due to the normal lag in the check collection process" [Ref 22: p. 2]. It was through the float provision that the contractor was to recognize income. It is interesting to note that during the term of the pilot test, the vendor and the government shared the "float" income. The specific share formula which was established with one of the vendors was as follows [Ref. 24: p. 4]:

> On the last business day of each week, the Contractor will determine the outstanding cheque balance in the government account and reduce this balance by the amount of those cheques paid by the Contractor during the week but for which the proceeds have not been remitted by the Government. These weekly net outstandings will then be averaged for the month to arrive at the monthly investable balance. The income from this investable balance will be determined by multiplying it by the monthly equivalent of the three month Treasury Bill rate as published in the New York Times on the last business day of the month. This income will then be reduced by the Contractor's operating expense calculated at seventy cents per one hundred dollars in sales during the month. This net income will be shared equally between the Contractor and the Government and paid quarterly.

The vendor was responsible for covering losses due to counterfeiting, fraud, or loss of travelers checks which had been issued by the FAOs. The Army was liable to the contractor for loss of blank travelers checks while in the custody of the FAO. The Army was required to safeguard blank travelers checks under the same regulations which applied to safeguarding and protecting cash. [Ref. 2: pp. 3-5]

On a daily basis, the participating FAOs were required to submit a U.S. Treasury check to the contractor for the face value of the travelers checks which had been issued that day. The remittances were to be mailed no later than the next business day following the day in which the travelers checks had been issued. [Ref. 24: p. 5]

By the end of March 1984, over 24 thousand payments with a total value of over $12 million were made. Feedback from both the accounting offices and customers was highly positive. Cash holdings of the FAOs declined considerably. For example, the Tank Automotive Command FAO decreased cash holding authority from $50,000 to $20,000. The Army released a Request for Proposal for an Army-wide travelers check program on 30 April 1984. [Ref. 25]

B. THE ARMY CONTRACT WITH BANK OF AMERICA

In June 1984, a contract was awarded to the BA Cheque Corporation to provide BankAmerica travelers checks to military and civilian members of the Department of Defense at Army FAOs. The period of the contract was from 1 July 1984 through 30 June 1985. The contract is renewable at the option of the Government for an additional two years [Ref A4, pp.3-6]. A copy of the contract is included as Appendix B.

Most of the Bank of America contract provisions are essentially the same as the test period contract described above. One notable exception is in the area of shared profits. During the test phase, the contractors experienced program costs which were running very close to and in some cases higher than the program revenues. The current contract does not contain a provision for sharing the "float" income that was provided for in the earlier contract. In the current contract, the Bank of America retains the entire float income. However, the government does gain the benefit of delaying payment for travel advances which have been issued in the form of travelers checks. In other words, an FAO might issue a Treasury check on Monday to reimburse the vendor for travel advances which had been issued the previous Friday. The fact that the Treasury checks are mailed to the vendor also delays the reduction of Treasury funds. [Ref. 26: pp. 3-6] The program manager of the Army's travelers check program estimates that the program delays the reduction of Treasury funds by an average of three days.

Appendix B identifies the approximate number of locations throughout the world at which the Bank of America travelers checks are accepted. It also identifies the number of locations which are authorized to refund lost/stolen/destroyed Bank of America travelers checks. [Ref. 26: p. 1]

C. BENEFITS OF THE TRAVELERS CHECK SYSTEM

One of the benefits that result from the use of travelers checks for advance travel payments is improved cash management. Specifically, the delayed disbursement of funds paid to the contractor ultimately results in a reduction of interest costs to the Treasury. The Army estimates that $500 million will be disbursed in travelers checks annually when the program is fully implemented. Approximately 59% of this amount will be for advance travel payments. Based on a three day delayed payment and a T-bill interest rate of 11%, the interest savings to the government are about $270,000 on an annual basis. [Ref. 25: p. B]

Another benefit of the travelers check program is security of funds for travelers. The travelers checks can be issued in denominations as small as $20. In comparison to cash, they are much less vulnerable to theft. Also, protection from loss is provided by the travelers check program. [Ref. 25: p. B]

Travelers are reimbursed for the cost of purchasing commercial travelers checks in conjunction with official travel. This is not a frequently claimed item in travel payments. However, some current savings would be realized from the reduction of reimbursement costs for commercial travelers checks. [Ref. 25: p. B]

D. DISADVANTAGES OF THE TRAVELERS CHECK SYSTEM

One of the negative aspects of the Army's travelers check system is the increased workload on participating FAOs. There are administrative requirements associated with ordering and accounting for the travelers checks and experience has shown that the travelers checks take longer to issue than cash or Treasury checks. With the current operating procedures, customers are not required to sign the travelers checks in the presence of the cashier. However, the customers are encouraged to sign each travelers check prior to leaving the building. Another additional workload requirement occurs when customers choose to cash a travelers check in the office which had issued the check. Since the checks were issued for travel purposes, only a small percentage of the checks are actually cashed in military disbursing offices. [Ref 27]

None of the participating FAO managers have reported that the administrative requirements are significant enough to require additional personnel. However, on a system wide basis, it is a matter which must be considered.

The travelers check system may have a negative impact on on-base financial institutions. On-base banking facilities and credit unions currently are able to generate income by selling commercial travelers checks to personnel who have drawn travel advances. This potential income would be decreased if the travelers check system were adopted.

For example, during the Army's test program, one bank, the First National Bank of South Jersey at Fort Dix, wrote the Army to complain about travelers checks being issued by FAOs. The letter referenced Department of Defense Instruction 1000.12 (Procedures Governing Banking Offices on Department of Defense Installations). The bank's position was that this instruction restricted the distribution of travelers checks by agencies other than banks and credit unions. During the Army's travelers check test, the Defense Credit Union Council (DCUC) conducted a survey of the 20 Defense Credit Unions in the test areas. In reporting on the results of the study, the DCUC stated that the credit unions "appear to be unperturbed by the program." There was a decrease in travelers check sales, "but comments generally state that the loss is minimal both in dollars and in staff time used in cashing the Army travelers checks". [Ref. 27: p. C]

One additional concern with the travelers check travel advance system was expressed by the head of a Navy Personnel Services Activity. He felt that adopting a travelers check system would require that more personnel visit the disbursing office. Under the current Treasury check advanced travel payment method, one individual from a unit can obtain the advance travel payments for all of the participating personnel in the unit. The Treasury checks

are issued in the name of the individual traveler and are merely "signed for" by the unit's representative who receives and distributes the checks. Unsigned travelers checks are more highly negotiable instruments. It is likely that each individual traveler would be required to visit the disbursing office if the travelers check system were adopted. This would require that unit personnel spend an additional amount of time away from their units in order to receive pre-travel payments.

E. TRAVEL EXAMPLES

In these examples, it is assumed that the two-week scheduled travel period is expected to result in a reimbursable cost of $800 and that the traveler draws an advance travel payment of $640 (80%). It is further assumed that the traveler elects to draw $600 of the advance payment in travelers checks and the remaining $40 is issued in the form of a Treasury check.

1. Travel Cost Estimate Is Accurate

In this situation, the traveler will be eligible for an additional payment of approximately $160 at the conclusion of the travel period. Therefore, it is to the traveler's advantage to file a travel claim expeditiously.

2. Reimbursable Travel Costs Overestimated

As previously noted, the traveler's advance may be over or under the total amount that he/she is eligible for

at the conclusion of the travel period. If the advance was greater than the total reimbursable expenses, the traveler will be required to pay back the excess amount. Therefore, the traveler has an incentive to delay filing the travel claim.

3. Reimbursable Travel Costs Underestimated

In this situation, the cost of the travel period was underestimated. In other words, the traveler received an advanced payment which was less than 80% of the actual travel period costs. The traveler would either have to fund the additional requirement "out of pocket" (own funds, personal credit card, etc.) or a supplementary advance payment may be made. In either case, at the completion of the travel period, the traveler is eligible for an additional payment. Therefore, it is to his/her advantage to file the travel claim as soon as possible following the travel period.

V. USE OF CREDIT CARDS FOR TRAVEL ADVANCES

A. BACKGROUND INFORMATION

In July 1981, one of the recommendations of the Interagency Travel Management Improvement Project was for the use of charge cards in Government travel systems. The study was conducted jointly by the Office of Management and Budget, the Department of Defense, the General Services Administration and the State Department [Ref. 28: p. 27]. Subsequently, the Grace Commission recommended that Government reduce travel costs by utilizing business practices of the private sector including measures such as the use of charge cards for advance travel payments [Ref. 29 p. 1].

In August 1983, the General Services Administration awarded a one-year contract to Diners' Club, Inc. (a subsidiary of Citicorp), to provide charge card services to federal employees for use on official Government travel. At the formal announcement of the award, the GSA Administrator, Gerald P. Carmen said,

> "This is a financial innovation for Government that is an accepted business practice in the private sector by more than 350,000 firms. It is another progressive step by the Reagan Administration to more effectively manage the Government's financial resources for the benefit of taxpayers." [Ref 29: p. II 1]

The charge card program commenced on 1 October 1983. The Agencies which participated in the start up of the program included the Army Corps of Engineers, GSA, the Federal Home Loan Bank Board, the National Credit Union Administration and portions of the Departments of State, Commerce, and Agriculture. [Ref. 29: p. I 1] As of 30 June 1984, 23 Agencies were participating in the program and over 26,000 cards had been issued.

As a companion measure, GSA also solicited a contract to provide travelers checks to supplement the credit card program. This contract was also awarded to Citicorp and it also commenced on 1 October 1983. The solicitation for the two contracts was extensive. Over 270 bid packets were distributed to financial services providers who had expressed an interest in providing charge services or travelers checks to finance Government employee travel expenses. [Ref. 29: p. II 2]

B. GENERAL DESCRIPTION OF THE GSA PROGRAM

The program was designed to reduce the interest expense and administrative costs of agencies' current travel advance practices. On any given day, there is more than $250 million outstanding in federal employee travel advances. [Ref. 29: p. II 1]

In the program, individual federal employees are issued a Diners Club, Inc. charge card. The cards can only be used

for official government travel purposes. Each agency establishes separate eligibility criteria for card issuance. However, GSA has recommended that cards be made available to all "frequent travelers" which they define as an employee who generally makes at least two business trips a year. No membership fees are charged to the particpating employees. The card can be used for travel related expenses such as common carrier transportation (in lieu of Government Transportation Requests (GTRs)), hotels, meals, automobile rental, gas, and other travel expenses. [Ref. 29: p. II 1]

At the completion of the travel period, the employee files a claim for reimbursement in the same manner that was previously used. The agency reimburses the employee for all allowable travel expenses. Diner's Club, Inc. sends a bill for all accumulated charges directly to the employee on a monthly basis. The employee has 25 days from the billing date to forward payment directly to Diner's Club, Inc. The employee must always pay the account in full. Unlike private sector accounts, interest or late charges are not allowed in the GSA contract. However, an individual's card may be cancelled for nonpayment (with agency approval). [Ref. 30: p. 2]

C. SPECIFICS OF THE DINER'S CLUB, INC. CHARGE CARD PROGRAM

The charge card contract with Citicorp Diner's Club, Inc. is a one year contract with four 1-year renewal

options. The contract does not require the payment of any fees by the government. Diners Club, Inc. realizes income through charges to the vendors which accept the cards for payment. [Ref. 29: p. I 1]

Each agency which participates in the credit card program designates sub-account units (divisions, branches, etc.) to administer the program at the local level. A "program director" who coordinates with Diner's Club, Inc. is designated in each unit. The program director is supplied with all required forms for personnel enrollment and disenrollment in the program. If an employee meets the agency's criteria for card issuance, he/she may elect to complete a Government Card Application form. The completed application is forwarded to Diner's Club, Inc. by the program director and the name embossed cards are mailed directly to the employee's billing address. [Ref. 29: pp. 1-4]

A credit check is not conducted prior to the issuance of a new card. However, Diner's Club, Inc. reserves the right to conduct a credit check at a later date. Card cancellation is only allowed with the concurrence of agency officials. When an employee leaves an agency or transfers from the local unit, the program coordinator notifies Diner's Club, Inc. to cancel the account. The issued cards are valid for a period of one year and can be renewed. [Ref. 29: pp. 1-4]

The Diner's Club, Inc. card is accepted at approximately 600,000 locations throughout the world. These include restaurants, hotels/motels, airlines, car rental agencies and service stations. If an individual traveler encounters an establishment which is especially convenient for Government travelers but does not accept Diner's Club, Inc. cards, a form can be completed which alerts the company to a possible expansion opportunity [Ref. 31: p. 2]. The individual traveler is billed on a monthly basis for all charged expenses. Citicorp estimates that the time lag between the incurrence of the expense and when the individual will be required to make payment is approximately 45-55 days. Air travel charges average 60 days before payment is due. [Ref. 32: p. II 2]

Diner's Club, Inc. uses a "collection matrix" which considers account days overdue and the monetary amount in order to collect on overdue accounts. A series of progressively stronger delinquency notices are sent directly to the individual by Diner's Club, Inc. Examples of these notices are included in Appendix C. The program director also receives information concerning overdue accounts. With the agency's concurrence, delinquent accounts may be cancelled by Diner's Club Inc. [Ref. 32: pp. IV 3-5]

In the instance of lost or stolen cards, neither the individual cardholder nor the agency is liable for fradulent charges so long as the loss is promptly reported.

Diner's Club, Inc. provides a 24-hour-a-day, toll-free phone number for this purpose. All lost or stolen cards will be replaced by Diner's Club, Inc. within 24 hours after the report is received. There are several continental U.S. offices which replace cards "while-you-wait", and, in overseas locations, many Diner's Club, Inc. franchise offices can replace lost or stolen cards. [Ref. 32: p. II 2]

Diner's Club, Inc. provides participating units with management oriented reports at no charge to the Government. The standard reports include the following: [Ref. 32: pp. VII 2-4].

RECAP (Review of Employee Charge Activity Performance)

RECAP Exception Listing

Projected Renewal Report

Agency Member List

Individual Account Activity Summary

Trial Balance Report

Vendor Analysis Report

Airline Credit Report

Monthly Volume Report

Monetary Activity Report

In addition, there are two special reports:

Audit Report

Common Carrier Report

A brief description and examples of each of the above reports is included in Appendix C.

D. BENEFITS OF THE CREDIT CARD PROGRAM

The GSA charge card program has provided significant benefits to those government agencies which have adopted it. At no cost to the government, the program provides the opportunity to drastically reduce the amount of advanced travel funds. As previously noted, currently more than $250 million in cash advances is outstanding throughout the Federal government [Ref. 29: p. II 2]. If adoption of the credit card program could reduce this average amount by 20%, the program would generate annual savings to the Treasury of $5.5 million at a T-bill interest rate of 11%.

The program provides many direct benefits and conveniences for Government travelers. For instance, security from theft or loss of advanced funds is provided through use of the charge card and emergency card replacement is available on a 24-hour basis. Personal check cashing (with Agency approval) is provided to cardholders at participating Western Union offices and hotels/motels. If travelers charge airline or other common carrier fares to their Diner's Club, Inc. card, they are automatically covered with $150,000 travel accident insurance at no additional cost. Participating hotels/motels guarantee room reservations which have been confirmed by the Diner's

Club, Inc. cards. Foreign currency conversion is provided at no fee to the traveler. [Ref. 33: p. 5]

Another direct benefit is the management information which is provided in the reports distributed by Diner's Club, Inc. The reports are designed to help organizations (1) plan budgets, (2) track spending, (3) monitor departments and cost centers, (4) assure adherence to budgets, (5) reduce administrative costs, and (6) assist in negotiating better vendor discounts. The Vendor Analysis Report allows an agency to analyze vendor activity and prices in order to realize more favorable discount rates. [Ref. 32: p. VII 1]

As will be shown shortly by some travel examples, adoption of the program could greatly reduce the incentive for personnel to delay submitting travel claims. This would aid a longstanding travel system problem.

E. DISADVANTAGES OF THE CHARGE CARD PROGRAM

Feedback from government agencies which have adopted the program has been very positive. However, the program does require some administrative time at the unit level. At least one employee must assist in enrolling and disenrolling personnel in the program. The time requirement and responsibilities have been reported as minimal. Still, when considered on a system wide basis, these administrative requirements can certainly not be totally disregarded.

As previously noted, the GSA charge card program does not require the direct payment of any fees by the government. Citicorp realizes income through charges to vendors. However it must be noted that these charges will increase the vendor's costs. There is certainly a possibility that at least part of these increased costs may eventually be passed on to the government through increased prices.

Another possible disadvantage is some resistance to acceptance of the program by agency personnel. While the vast majority of participants have been highly supportive, at least two employees of the Department of Agriculture have written complaint letters concerning the program. Their concern is that they may be required to use out-of-pocket funds in order to pay their Diner's Club, Inc. bills.

This situation would only arise if the travel period was long (in excess of approximately 30 days) and/or if the agency was slow in reimbursing travel claims. For example, assume an employee begins a 40 day period of travel on 1 September and that he/she begins to charge expenses to their Diner's Club, Inc. card account soon after the travel period begins. Further assume that the employee's billing cycle occurs on the 20th of each month. On 20 September, Diner's Club, Inc. would send the employee a bill for all accumulated charges. Some of the traveler's charges from the early part of the month may have reached Diner's Club,

Inc. by this time and he/she would be billed for them on the 20 September billing. These charges would be due and payable on 15 October. The employee would complete the travel period on 10 October and would have only five days to file a travel claim, receive reimbursement, and forward payment for billed charges to Diner's Club, Inc. If the travel period in the example had been extended to 50 days, the traveler would not even have completed travel prior to a payment for some charges having come due. However, it must be noted that after reimbursement, the employee would have the benefit of all reimbursed funds which were in excess of the early period charges. The remainder of the travel period incurred charges would not become due until 9 November at the earliest.

F. TRAVEL EXAMPLES

As in the previous examples, it is assumed that the two-week scheduled travel period is expected to result in a reimbursable cost of $800. It is further assumed that the traveler has been issued a Diner's Club, Inc. charge card and that he/she draws an $160 (20%) Treasury check advance in order to cover incidental expenses.

1. Travel Cost Estimate Is Accurate

In this case, the traveler will have an incentive to file a travel claim as soon as possible. The charged

expenses from the travel period will not be due and payable to Diner's Club, Inc. until some future date. The traveler will have the benefit of the funds received from the agency's reimbursement of the travel claim in the interim period.

2. Reimbursable Travel Costs Overestimated

This situation can result from a shortened travel period, inaccurate cost estimates, cancellation of travel requirements, etc. As long as the reimbursable expenses are greater than the Treasury check advance for incidental costs, it is to the traveler's advantage to file the travel claim expeditiously. Of course, if the reimbursable expenses are less than even this small amount, the traveler has little incentive to file the claim as soon as he/she would if they were expecting further payment.

3. Reimbursable Travel Costs Underestimated

With the exception of incidental expenses, this situation would not present a problem to a traveler who had a charge card. He/she would just continue to use the card to pay for the unforecast expenses. At the conclusion of the travel period, the traveler would once again have an incentive to file the travel claim as soon as possible.

G. SUMMARY

This chapter and the preceding chapters have investigated several private and public sector travel advance methods. In the next chapter, these methods will be compared to the current Navy system.

VI. ANALYSIS OF TRAVEL ADVANCE METHODS

In this chapter, the various travel advance methods will be compared with the current Department of the Navy system. The feasibility of adopting each system for Navy use will also be discussed.

A. CHARGE CARD SYSTEM

As previously noted, several companies offer corporate charge card systems. This analysis will consider the Citicorp Diner's Club, Inc. system which has been adopted by the General Services Administration (GSA). The current Diner's Club, Inc. contract is available to all federal agencies including the Department of Defense.

This GSA contract contains no direct costs to the government. Neither the government nor the individual participants are required to pay maintenance fees and there is no late payment penalty. Also, the government is not required to participate in bill collecting for Citicorp and is not liable for nonpayment by participants.

The major benefits of the program include a delay in the withdrawal of Treasury funds and a reduction in the administrative costs for the travel program. Additional benefits for the traveler include: (1) $150,000 automatic travel insurance for travel that is charged with the card,

(2) no preset spending limits, (3) personal check cashing priveleges, (4) no fee foreign currency conversion, (5) replacement for lost or stolen cards within 24 hours, and (6) guaranteed room reservations at most hotels [Ref. 32: p. I 3].

It is difficult to estimate the potential dollar savings of the charge card program. However, the General Services Administration has predicted that $200 million dollars per year will be saved throughout the federal government when the program is fully implemented. The savings would be realized through improved cash management and reduced administrative costs. Part of the administrative cost reduction will result from the elimination or considerable reduction in the labor-intensive Government Transportation Request (GTR) system. [Ref. 29: p. 1] For example a Scheduled Airline Ticket Office (SATO) could be used to schedule air transportation for an individual traveler. Citicorp would then be notified of the transaction and would handle both payment of the airline and billing of the individual traveler.

Department of Navy travel accounts for approximately 18% of the annual federal travel budget [Ref. 1: p. G 2-10]. Based on the $200 million savings estimate by GSA, Navy implementation should result in an annual savings of approximately $36 million.

Another aspect of each system which can be considered is that of acceptance by travelers. Within the agencies which have adopted the program, the reaction by travelers has generally been very favorable. The travelers appreciate the convenience and security that the charge cards provide. However, as previously noted, there have been a small number of complaints related to the use of the cards for travel periods in excess of approximately 30 days. In this situation, the travelers may have to pay Citicorp for a portion of their early travel period charges prior to receiving a travel claim settlement from their agency.

For these longer travel periods, it may be necessary to pay a supplemental Treasury check advance in anticipation of charge card payment cycle requirements. If this provision were provided, travelers would not be required to use their own funds in order to pay their Citicorp bills. The charge card system is already designed to be augmented by a small (usually 20%) Treasury check advance in order to cover incidental travel expenses. A somewhat higher advance or incremental payments may be more appropriate for the small number of travel periods which are in excess of thirty days.

B. DIRECT BILLING SYSTEM

If a direct billing system were adopted, the Navy would be billed by travel agencies or vendors for items such as transportation and lodging. This system does not cover the

depth of travel related expenses that are handled by the charge card system. Also, there would be a significant administrative requirement associated with the receipt, reconciliation and payment of bills from each individual vendor. [Ref. 16: p. 46]

C. DRAFT PAYMENT SYSTEM

As previously described, this type of system is best suited for the situation of traveling route salesmen. In order to use this method, travelers must be aware of the exact amount of their reimbursable expenses on a periodic basis (usually weekly) [Ref. 19: p. 61-62]. This system does not fit the circumstances encountered in government travel. With the complex rules which dictate government travel reimbursement, it would not be feasible for government travelers to accurately estimate their interim period reimbursements.

D. TRAVELERS CHECK SYSTEM

Both the Army and the General Services Administration have established travelers check contracts with private sector companies. The Army's contract is with the BA Cheque Corporation and the GSA contract is with Citicorp Diner's Club, Inc. Neither contract requires the payment of any direct fees by the government. The companies provide the travelers checks and all associated materials. The companies realize potential income through the time delay

between the date of the government's payment for issued travelers checks and the date when those travelers checks are cashed. The government realizes savings through delayed disbursement of funds and a reduction in reimbursement for commercial travelers checks.
[Ref. 23: p. 18]

Similiar to the credit card program, the only "cost" for the Navy to implement either of these travelers check programs would be the indirect expense associated with any increased administrative requirements. Organizations which have adopted these programs have not reported that the increased requirements were significant enough to require the addition of personnel.

The benefits to be gained by the government through implementation of a travelers check travel advance system include: (1) improved cash management through delayed disbursements, (2) security of funds for travelers and (3) savings realized through reduction of reimbursements for commercially purchased travelers checks.

The travelers check program provides an average of approximately 3 days delay in disbursement of travel advance payments as compared to the current Navy system. The Navy's fiscal year 1984 travel budget was approximately $720 million. If 50% of this amount were issued as travelers check rather than treasury check advances, the annual

interest savings to the government at a T-bill interest rate of about 11% would be about $330 thousand.

Another aspect of the program that must be considered is that of convenience for travelers. As previously mentioned, a travelers check program has been available in the Army since November 1983. Army results indicate that travelers are very receptive to this method. Travelers checks provide the traveler with excellent flexibility. The checks can be issued in a variety of denominations and the travelers checks provide increased security from loss or theft of travel funds.

E. CURRENT NAVY SYSTEM

The Navy's current travel advance method is basically the same as a corporate cash advance system. The main difference is that a Treasury check is issued instead of cash or a company drawn check. In order to determine the cost of this method, the inherent negative "float" must be considered. In other words, Treasury funds are being reduced sooner than required. In comparison to any of the preceding systems, the current Navy system is the least desirable from a cash management standpoint. In the current system, Treasury funds are reduced within approximately five days of when the traveler cashes or deposits the Treasury check advance. Depending on the number of days prior to the

travel period that the advance is paid, this Treasury reduction may occur even before the travel period begins.

Other "costs" of the current Navy system include the administrative requirements and direct expenses associated with tracking and collecting travel advance overpayments. As previously noted, it is common practice to advance about 80% of the estimated travel period expenses. Several disbursing offices report that about 10% of these advances will result in overpayments which must eventually be collected from the traveler. The amount of the overpayment is not collected until after the travel claim has been settled. In the interim (between payment of the advance and collection of the overpayment), Treasury funds have been unnecessarily reduced.

In summary, it does not appear that the Navy's current travel advance method provides any benefits relative to the travelers check or charge card systems. As indicated above, it is more expensive both in terms of cash management and administrative requirements. The current system does not even compare favorably in terms of traveler convenience. Both the travelers check and charge card systems provide increased security and convenience for the traveler.

F. TRAVEL CLAIM FILING INCENTIVE

As indicated in Figure 6-1, there are three outcomes that can occur in travel period cost estimates: (1) cost

estimates are correct, (2) costs are overestimated, or (3) costs are underestimated. The charge card system provides an incentive for the traveler to expeditiously file a travel claim regardless of the accuracy of the pre-travel cost estimate.

G. FLOAT COMPARISON

Figure 6-2 shows the approximate timing of Treasury account reductions in the current system, the travelers check system and the charge card system. The figures are based on a two week average travel period and approximately a five day processing period between travel claim filing and payment.

The amount of $800 was arbitrarily selected as the travel period cost in the comparison figures. However, the relative payment percentages would remain the same regardless of the assumed travel period costs. Figure 6-2 indicates that in all three systems, the travel period final payment consists of a Treasury check payment on 24 February. This final payment would result in a Treasury account reduction on approximately March 1st. Using this March 1st date as a baseline, the effect of the three systems on Treasury funds can readily be compared. The Treasury would have been reduced by $640 for a 30 day period in the current system; $640 for a 27 day period in the travelers check system; and only $160 for a 30 day period in the charge

card system. At an assumed T-bill rate of 11%, this would result in government interest costs of $5.87, $5.28, and $1.47 for the current, travelers check, and charge card systems respectively. In all three systems, the ultimate payment amount to the traveler is identical. It is only the timing of the Treasury account reduction that varies.

	A COST ESTIMATE CORRECT	B COSTS OVER-ESTIMATED	C COSTS UNDER-ESTIMATED
CURRENT NAVY METHOD	YES	NO	YES
TRAVELERS CHECK METHOD	YES	NO	YES
CHARGE CARD METHOD	YES	YES	YES

Figure 6-1 Travel Claim Filing Incentive

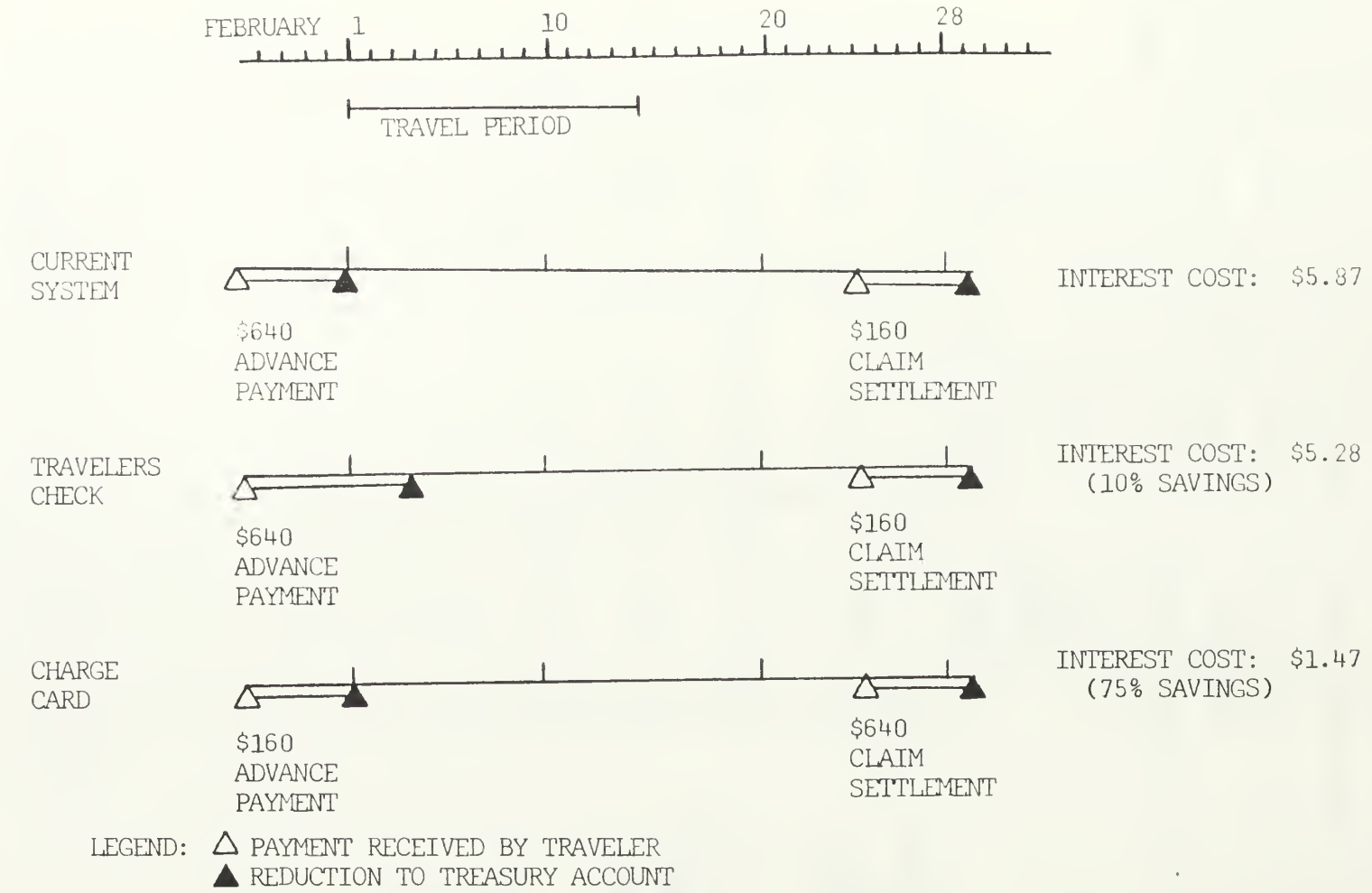

Figure 6-2 Advance Payment Comparison

VII. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

A. SUMMARY

The Federal Government is actively pursuing improvement in the cash management practices of all Federal agencies. Considering that the annual Federal cash flow is in excess of one trillion dollars and that twelve cents of every Federal dollar is currently spent on interest payments, it is apparent that effective and efficient cash management practices are essential.

The emphasis on cash management has been evidenced by considerable recent legislation and Presidential reform initiatives, many of which directly effect Department of Defense activities. In recent years, the Navy has been able to improve cash management practices in many areas. Examples include the reduction of cash balances held in disbursing offices, more timely bill payment and the use of Automated Teller Machines (ATMs) afloat.

This study dealt specifically with the cash management aspect of travel advances in the Department of the Navy. In fiscal year 1984, the Department of Defense spent approximately $3 billion for official travel. The FY-84 budget indicates that Navy travel accounts for approximately 24% of this total or about $720 million. The potential cash

management savings in a program of this magnitude could, indeed, be significant.

The Navy's current travel advance method is basically a "cash" advance system in which Treasury checks are usually issued instead of currency. Both private and public sector alternative travel advance methods were researched. The draft payment system and direct billing system were not considered to be feasible in consideration of government travel requirements. Two alternate systems appear to offer significant advantages over the current Navy system. These are (1) the charge card system and (2) the travelers check system. These travel advance methods allow a delay in the timing of reductions to the Treasury and provide increased convenience for the traveler. Both of these methods have been successfully adopted in other Federal agencies. Neither of these systems requires the direct payment of government funds.

B. CONCLUSIONS

1. The current Navy travel advance method is unnecessarily expensive.

This method reduces Treasury account funds sooner than required, thereby raising Federal debt expense. Also, it is administratively burdensome. A significant percentage of current travel advances result in overpayments which must be

tracked and collected. These overpayments also cause an unnecessary reduction in the Treasury.

2. Adoption of a charge card system would provide significant benefits.

The charge card system would allow for considerable delay in the payment of Federal funds for travel expenses. Except for a small advance for incidental expenses, Federal funds would not be spent until the occurence of the traveler's final travel claim settlement. This would take place approximately 10 days after the end of the travel period. The program would greatly reduce the requirement to track overpayments and would provide an incentive for travelers to file travel claims expeditiously. Also, the charge card system would add to the traveler's convenience. It provides increased security of funds and fringe benefits such as free travel insurance and personal check cashing priveleges.

3. Adoption of a travelers check system would provide some tangible benefits.

The interest savings possible through delayed disbursement of travel funds is not as significant in the travelers check system as it is in the charge card system. However, this method does provide approximately a 3-day disbursement advantage over the current Navy system. It would also provide direct savings through elimination of the requirement to reimburse travelers for commercially purchased travelers checks. In addition, the travelers

check system would provide increased security of funds for travelers.

C. RECOMMENDATIONS

1. Design a pilot program to test the feasibility of implementing the GSA charge card program within the Department of the Navy.

Implementation of the GSA charge card program should not involve any direct costs to the Navy or to Naval personnel. If the program test phase proves to be successful, the program should be implemented Navy-wide as soon as practicable.

2. Adopt a program to test the implementation of the travelers check system.

Both the current Army program and the GSA program should be considered. If the charge card and travelers check program tests are successful, consideration should be given to adopting both programs. It is conceivable that the travelers check program could be used to supplement the charge card program. This would provide an improved travel advance method for Navy travelers who were not eligible for the charge card program (not designated as "frequent travelers").

D. RECENT DEVELOPMENTS

As this thesis is being published, the Navy has started a formal test of the GSA charge card program. Evaluation of the project results is expected to occur in January 1985.

APPENDIX A

CHASE T/C SERVICE CORPORATION CONTRACT

STANDARD FORM 26 JULY 1966 GENERAL SERVICES ADMINISTRATION FPR PROC REG (41CFR) 1-16.101

Exception approved by MARS 6/20/80

AWARD/CONTRACT

PAGE 1 OF 19

CONTRACT (Proc. Inst. Ident.) NO	2 EFFECTIVE DATE	3 REQUISITION/PURCHASE REQUEST/PROJECT NO	4 CERTIFIED FOR NATIONAL DEFENSE UNDER BDSA REG 2 AND/OR DMS REG 1 RATING
DA903-84-C-0015	83 Oct 1	8528/4011	

5 ISSUED BY CODE

Defense Supply Service Washington
Rm 1D245, Pentagon
Washington, DC 20310
attn: W. Joiner/697-6258/ds

6 ADMINISTERED BY (If other than block 5) CODE

7 DELIVERY FOR DESTINATION [X]
OTHER (See below) [ ]

8 CONTRACTOR NAME AND ADDRESS (No., city, county, State, and ZIP code) CODE FACILITY CODE

Chase T/C Service Corp.
80 Pine Street, 6th Floor
New York, NY 10081 -
Attn: Mr. James Hill, Vice President

9 DISCOUNT FOR PROMPT PAYMENT
N/A

10 SUBMIT INVOICES (4 copies unless otherwise specified) TO ADDRESS SHOWN IN BLOCK
N/A

11 SHIP TO/MARK FOR CODE
/A

12 PAYMENT WILL BE MADE BY CODE
N/A

THIS PROCUREMENT WAS [ ] ADVERTISED, [X] NEGOTIATED, PURSUANT TO: [X] 10 U.S.C. 2304 (a)(10)
[ ] 41 U.S.C. 252 (c)( )

ACCOUNTING AND APPROPRIATION DATA
/A

13 ITEM NO	14 SUPPLIES/SERVICES	15 QUANTITY	16 UNIT	17 UNIT PRICE	18 AMOUNT

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TOTAL AMOUNT OF CONTRACT $ 0

CONTRACTING OFFICER WILL COMPLETE BLOCK 22 OR 26 AS APPLICABLE

22 [X] CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return orig copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.)

26 [ ] AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number _____ including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.

NAME OF CONTRACTOR
Jeffrey T. Hendrickson
(Signature of person authorized to sign)

27 UNITED STATES OF AMERICA
BY James D. Delaney
(Signature of Contracting Officer)

NAME AND TITLE OF SIGNER (Type or print)
Jeffrey T. Hendrickson, V.P.
Chase Manhattan Corp.

23 DATE SIGNED
9/22/83

28 NAME OF CONTRACTING OFFICER (Type or print)
JANE D. [illegible]
Contracting Officer

29 DATE SIGNED
30 SEP 1983

SECTION B: SUPPLIES/SERVICES AND PRICES

B-1. SCOPE

The purpose of this contract is to establish the United States Army (government) as the authorized agent for the Chase T/C Service Corporation (Contractor) for the issuance, refunding or exchanging of VISA Travelers Cheques (travelers cheques) to military and civilian members of the Department of Defense at the following Finance and Accounting Offices (FAOs):

a. Ft. Ord, CA

b. Ft. Harrison, IN

c. Ft. Irwin, CA

d. Jefferson Proving Ground, Madison, IN

SECTION C: DESCRIPTION/SPECIFICATION

C-1. Statement of Work

The Contractor shall:

a. Furnish, at its expense, at the locations listed in paragraph B-1, a supply of prenumbered travelers cheques, without any Government name or logo, in sealed packets. Denominations to be provided are $20 and $50. Packet sizes shall be 5 x $20 = $100; 10 x $20 = $200; 3 x $50 = $150; 5 x $50 = $250; and, 10 x $50 = $500.

b. Provide travelers cheques on a consignment basis, with an initial inventory at each location not to exceed $175,000.

c. Permit at least two replenishments of inventory at each location. Inventory replenishments will be manually initiated by each FAO.

d. Furnish, at its expense, necessary customer wallets, record and report forms, and all necessary related forms, training guides and materials, and accessories (such supplies to be renewed from time to time as required) for use by the Government in the issuance, refunding or exchange of travelers cheques. All unused, spoiled, cancelled, or voided travelers cheques, supplies and accesaories shall remain the Contractor's property and shall be deemed to have been furnished to the Government solely under the provisions of this contract.

e. Exclude Government travelers cheques test sites as refund locations, except for those personnel issued travelers cheques by the Government locations in Article B-1 of this contract.

f. Remit payment for refunds handled to the Finance and Accounting Officer--DSSN 5557, mailing address: Commander, U.S. Army Finance and Accounting Center, Attn: DACA-FAY-A, Indianapolis, IN 46249.

g. Provide a list of serial numbers for travelers cheques outstanding as of 90 days after the end of this contract.

SECTION C - CONTINUED

h. Use its existing procedures and funds to cover losses associated with the counterfeit, fraud, and loss of travelers checks issued by the FAOs.

i. Provide photo copies (front and back) of travelers cheques to the FAO when such photo copies are to be used to support a loss of funds investigation.

C-2. REPORTS

a. The Contractor shall provide the following reports per location on a monthly basis:

(1) Travelers cheques issued.

(2) Travelers cheques outstanding.

(3) Travelers cheques inventory levels.

(4) Travelers cheques reported lost, stolen, voided or refunded.

(5) Travelers cheques prepaid by Company.

(6) Float account analysis.

b. Reports shall be submitted to: Commander, US Army Finance and Accounting Center, ATTN: DACA-FAY-A, Indianapolis, IN 46249.

c. Reports shall be submitted not later than the 20th day of the month following the month being reported.

C-3. DISCLAIMER STATEMENT

All reports resulting from this study will contain the following disclaimer statement on the cover of such reports:

> "The views, opinions, and findings contained in this report are those of the author(s) and should not be construed as an official Department of the Army position, policy, or decision, unless so designated by other official documentation".

SECTION F: DELIVERIES OR PERFORMANCE

F-1. DELIVERY

a. Deliver first inventory of travelers cheques to FAO so FAO issuance can begin 1 October 1983.

b. Replenishment due upon request by each FAO.

SECTION F - CONTINUED

F-2. TERM OF CONTRACT

The period of this contract shall be 1 October 1983 to 31 March 1984. The government shall have the option to extend this contract, under the terms and conditions hereof, for up to 90 days provided that the Contracting Officer notifies the Contractor in writing not later than 1 March 1984.

SECTION G: CONTRACT ADMINISTRATION DATA

G-1. FLOAT SHARE FORMULA: a. On the last business day of each week, the Contractor will determine the outstanding cheque balance in the Government account and reduce this balance by the amount of those cheques paid by the Contractor during the week but for which the proceeds have not been remitted by the Government. These weekly net outstandings will then be averaged for the month to arrive at the monthly investable balance. The income from this investable balance will be determined by multiplying it by the monthly equivalent of the three month Treasury Bill rate as published in the New York Times on the last business day of the month. This income will then be reduced by the Contractor's operating expense calculated at seventy cents per one hundred dollars in sales during the month. This net income will be shared equally between the Contractor and the Government and paid quarterly.

G-2. ADMINISTRATIVE DATA: The Contractor shall keep the FAO informed of any deficiencies in the remittence requirements to be provided under this contract. When such deficiencies are not corrected by the FAO within seven days of notification, the Contractor shall bring them to the attention of the Contracting Officer's Representative (COR) identified below.

G-3. CONTRACTING OFFICER'S REPRESENTATIVE (COR)

(a) The COR is the Chief, Financial Services Division, Assistant comptroller of the Army (Finance and Accounting), commercial telephone (317) 542-3280, or Autovon 699-3280. He, or his representative, is designated to receive for the Government reports, payments, and other material called for in the contract and to represent the Contracint Officer in the technical phases of the work.

(b) The COR is not authorized to change any of the terms and conditions of the contract. Changes shall be made only by the Contracting Officer by properly signed written modification to the contract.

SECTION H: SPECIAL PROVISIONS

H-1. GOVERNMENT PROVIDED SERVICES. The Government accepts appointment as agent and agrees to:

a. Hold travelers cheques delivered to FAOs in trust for the Contractor.

SECTION H - CONTINUED

b. Issue, refund for, and exchange such travelers cheques only in accordance with written instructions from the Contractor. Where Contractor's instructions differ from Government rules and regulations and this agreement, the Government rules and regulations and this agreement shall be followed.

c. Issue a minimum of $1 million (one million dollars) in travelers cheques during the agreement period.

d. Remit, on a daily basis, a U.S. Treasury check and required supporting forms or documents to the Contractor for the face value of travelers cheques issued that day. Remittances shall be mailed no later than the next business day following the day the travelers cheques were issued.

e. Safeguard and protect the blank travelers cheques under the same provisions of Army regulations that pertain to safeguarding and protecting cash.

f. Accept liability to the Contractor for the loss of blank travelers cheques while in the accountability of the finance and accounting officer without regard to fault.

g. Notify the Contractor immediately of any theft, loss or mysterious disappearance of blank travelers cheques, giving particulars of the loss.

h. Assist the contractor in investigating cases of counterfeit, fraud, lost, or stolen travelers cheques as are brought to its attention.

H-2. DELIVERY OF CHEQUES

All travelers cheques delivered pursuant to this contract shall be accompanied by a receipt which shall be immediately signed by an agent of the government and returned to the contractor. Any agent of the government signing the receipt shall be deemed authorized to do so.

H-3. ISSUANCE OF CHEQUES

Upon the sale or disbursement of a cheque, fill in the information on the form furnished by the contractor, instruct the recipient of the cheque to sign the said cheque in the upper right hand corner before leaving the premises, and inform each recipient not to countersign the cheque until it is to be cashed.

APPENDIX B

BA CHEQUE CORPORATION CONTRACT

SOLICITATION, OFFER AND AWARD | 1. CERTIFIED FOR NATIONAL DEFENSE UNDER DOSA REG 2 AND/OR DMS REG 1 ▶ | RATING | PAGE OF 1 | 13 PAGES

2. CONTRACT NO.	3. SOLICITATION NO.	4. TYPE OF SOLICITATION	5. DATE ISSUED	6. REQUISITION/PURCHASE NO
MDA903-84-C-0313	MDA903-84-R-0056	☐ ADVERTISED (IFB) ☒ NEGOTIATED (RFP)	84 MAY 04	8528/4153

7. ISSUED BY — CODE W74V8H

Defense Supply Service-Washington
Room 1D-245, The Pentagon
Washington, D.C. 20310
Attn: G.L. Daniels, III/(202) 697-6258/jp

8. ADDRESS OFFER TO (If other than Item 7)

NOTE: In advertised solicitations "offer" and "offeror" mean "bid" and "bidder".

SOLICITATION

9. Sealed offers in original and See Sec L-5 copies for furnishing the supplies or services in the Schedule will be received at the place specified in Item 8, or if handcarried, in the depository located in DSSW, Room 1D-245, The Pentagon until 11:30 (Hour) local time 4 June 1984 (Date)

CAUTION – LATE Submissions, Modifications, and Withdrawals: See Section L, Provision No. 52.214-7 or 52.215-10. All offers are subject to all terms and conditions contained in this solicitation.

10. FOR INFORMATION CALL:	A. NAME	B. TELEPHONE NO. (Include area code) (NO COLLECT CALLS)
	G. L. Daniels, III	(202) 697-6258

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X	F	DELIVERIES OR PERFORMANCE	6	X			
X	G	CONTRACT ADMINISTRATION DATA	6	X	L	INSTRS., CONDS., AND NOTICES TO OFFER	12
	H	SPECIAL CONTRACT REQUIREMENTS		X	M	EVALUATION FACTORS FOR AWARD	12

OFFER (Must be fully completed by offeror)

NOTE: Item 12 does not apply if the solicitation includes the provisions at 52.214-16, Minimum Bid Acceptance Period.

12. In compliance with the above, the undersigned agrees, if this offer is accepted within 120 calendar days (60 calendar days unless a different period is inserted by the offeror) from the date for receipt of offers specified above, to furnish any or all items upon which prices are offered at the price set opposite each item, delivered at the designated point(s), within the time specified in the schedule. [signature]

13. DISCOUNT FOR PROMPT PAYMENT (See Section I, Clause No. 52.232-8)	10 CALENDAR DAYS %	20 CALENDAR DAYS %	30 CALENDAR DAYS %	CALENDAR DAYS %

14. ACKNOWLEDGMENT OF AMENDMENTS (The offeror acknowledges receipt of amendments to the SOLICITATION for offerors and related documents numbered and dated)	AMENDMENT NO.	DATE	AMENDMENT NO.	DATE
	1	5/4/84		

15A. NAME AND ADDRESS OF OFFEROR	CODE	FACILITY	16. NAME AND TITLE OF PERSON AUTHORIZED TO SIGN OFFER (Type or print)
DUNS: 07-875-8794 BA CHEQUE CORPORATION 201 MISSION ST. SAN FRANCISCO, CA 94105			JOHN TRENCH VICE PRESIDENT/MANAGER DOMESTIC SALES

15B. TELEPHONE NO. (Include area code)	15C. CHECK IF REMITTANCE ADDRESS IS DIFFERENT FROM ABOVE – ENTER SUCH ADDRESS IN SCHEDULE	17. SIGNATURE	18. OFFER DATE
415 624-2249	☒	[signature]	06/01/84

AWARD (To be completed by Government)

19. ACCEPTED AS TO ITEMS NUMBERED	20. AMOUNT	21. ACCOUNTING AND APPROPRIATION
N/A	N/A	N/A

22. SUBMIT INVOICES TO ADDRESS SHOWN IN (4 copies unless otherwise specified)	ITEM	23. NEGOTIATED PURSUANT TO
▶	N/A	☐ 10 U.S.C. 2304(c)( ) ☐ 41 U.S.C. 252(c)( )

24. ADMINISTERED BY (If other than Item 7)	CODE	25. PAYMENT WILL BE MADE BY	CODE
N/A		N/A	

26. NAME OF CONTRACTING OFFICER (Type or print)	27. UNITED STATES OF AMERICA	28. AWARD DATE
JANE D. HENSLEY	[signature] (Signature of Contracting Officer)	84 JUN 26

IMPORTANT – Award will be made on this Form, or on Standard Form 26, or by other authorized official written notice.

SECTION B - SUPPLIES/SERVICES AND PRICES

B-1. SCOPE

The purpose of this contract is to establish the United States Army (hereinafter referred to as the "Government") as the authorized agent for the BA Cheque Corporation, (hereinafter referred to as the "Contractor") for the issuance, refunding or exchanging of BankAmerica (travelers cheques) to military and civilian members of the Department of Defense at the finance and accounting offices (FAO's) specified in Attachment #1 in Section J.

B-2. COMPENSATION

(a) The Government does not expect to pay for travelers cheques provided to FAO's in excess of the face amount of travelers cheques issued. However, if a fee is included as a part of the response to this solicitation, it must be based solely upon the sales volume.

(b) Since the nature of travelers cheques provides potential for income sharing, the Contractor must state the shared amount as a percentage of sales volume. Such sharing constitutes a discount and shall be deducted from the daily remittance.

SECTION C - DESCRIPTION/SPECIFICATIONS

C-1. STATEMENT OF WORK

(a) Introduction - This is a requirements contract for commercial travelers cheques for official payments made by Department of the Army Finance and Accounting Offices (FAOs). Travelers cheques must be made available to the disbursing stations (DSSNs) listed in Attachment #1. The estimated volume of travelers cheques is $500 million annually, and is furnished to offerors for informational purposes only. The volume shall not be construed to represent any amount which the Department of the Army or its employees shall be obligated to issue under the contract. The Contractor must be capable of servicing the total requirements contained in this solicitation.

(b) Travelers Cheque Requirements - The Department of the Army requires a travelers cheque system similar to that commercially available. The cheques must have the following minimum product characteristics:

(1) Broad range of acceptance by merchant establishments and financial institutions.

(2) Same day refundability for lost or stolen cheques at specified locations.

(3) Denominations that include $20, $50, and $100. The available packet sizes must be indicated. Also, indicate which, if any, denominations are available in loose cheques.

(4) Inventory options that permit automatic, toll-free telephone line, and mail replenishment procedures.

SECTION C - Continued

C-1. STATEMENT OF WORK (Continued)

(c) Specific Work/Services - The Contractor must:

(1) Furnish all necessary travelers cheques, customer wallets, record and report forms, stationery items, training guides and materials, and accessories (such supplies to be renewed from time to time as required) for use by the Government in the issuance, refunding or exchange of travelers cheques. All unused, spoiled, cancelled, or voided travelers cheques, supplies and accessories shall remain the Contractor's property and shall be deemed to have been furnished to the Government solely under the provisions of this contract.

(2) Exclude Government travelers cheques test sites as general refund locations, except for those personnel issued travelers cheques by the Government locations listed in Attachment #1 to this contract.

(3) Use its existing procedures and funds to cover losses associated with counterfeit, fraud, and travelers cheques lost by customers after issuance by the FAOs.

(4) Provide photo copies of travelers cheques (front and back) to the FAO when such photo copies are needed to support a loss of funds investigation by the Government.

(5) Provide a monthly report which contains the following minimum data for each location:

(i) Inventory report indicating quantities on hand, total dollars sold during the month, and total dollars sold during the contract term.

(ii) Report on travelers cheques prepaid by the Contractor.

(iii) A Float analysis.

(6) The report described in paragraph (5) above shall be submitted to the address cited in Section G.

(d) Government Identification - The Government reserves the right to require the Contractor to place a unique symbol and/or name on the face of the travelers cheques.

(e) Project Management - The Contractor shall provide names, titles and telephone numbers of personnel responsible for the travelers cheque program. In addition, an organizational chart showing the relative positions of the individuals must be provided.

(f) Delivery - Travelers cheques must be delivered to the eighteen (18) designated sites annotated in Attachment #1 in time for issuance to begin on 1 July 1984. Other locations are expected to begin issuing travelers cheques by 1 October 1984. Replenishment will be upon request by each FAO or automatically when predesignated reorder points are reached.

(g) Reimbursement Difficulties - The Contractor shall keep the individual FAOs informed of any difficiencies in the remittance requirements to be pr

SECTION C - Continued

C-1. STATEMENT OF WORK (Continued)

(g) vided under this contract. When such deficiencies are not corrected by the FAO within seven days of notification, the Contractor shall immediately bring them to the attention of the Contracting Officer's Representative (COR) designated in Section C of this contract.

(h) Government Responsibilities - The Government agrees to:

(1) Hold, account for and protect travelers cheques delivered to FAOs using the same the same safeguards as required for cash.

(2) Issue, refund for, and exchange such travelers cheques only in accordance with written instructions from the Contractor. Where the Contractor's instructions differ from Government rules and regulations and the contract, the Government rules and regulations and the contract shall be followed.

(3) Remit, on a daily basis, a U. S. Treasury check and required supporting forms or documents to the Contractor for the face value, less any discounts, of travelers cheques issued that day. Remittances shall be mailed no later than the next business day following the day the travelers cheques were issued. The Government will consider the wire transfer of funds from designated high volume issuers of travelers cheques. In addition, the Government will work with the Contractor if remittances to cash concentration accounts are requested.

(4) Accept liability to the Contractor for the loss of blank cheques while in the accountability of the finance and accounting officer. Blank trsvelers cheques shall be in the accountability of the finance and accounting officer from the time the trust receipt is signed to the time of issuance by the FAO.

(5) Notify the Contractor immediately of any theft, loss or mysterious disappearance of blank travelers cheques, giving the particulars of the loss.

(6) Assist the Contractor in investigating cases of counterfeit, fraud, lost, or stolen cheques as are brought to its attention. Nothing in this paragraph shall restrict any liability under paragraph (4) above.

(7) Designate in writing to the Contractor the person or persons at each FAO location who are authorized to accept delivery of blank travelers cheques.

i. Contractor Furnished Equipment - The Contractor shall provide all necessary office equipment, furnishings, supplies, systems, communications services, and related items necessary to conduct its operation, and in order to fulfill the contract requirements.

(j) Facilities Inspection - The Government will conduct an on-site inspection of any or all facilities prior to contract award.

SECTION C - Continued

C-1. STATEMENT OF WORK (Continued)

(g) vided under this contract. When such deficiencies are not corrected by the FAO within seven days of notification, the Contractor shall immediately bring them to the attention of the Contracting Officer's Representative (COR) designated in Section G of this contract.

(h) Government Responsibilities - The Government agrees to:

(1) Hold, account for and protect travelers cheques delivered to FAOs using the same the same safeguards as required for cash.

(2) Issue, refund for, and exchange such travelers cheques only in accordance with written instructions from the Contractor. Where the Contractor's instructions differ from Government rules and regulations and the contract, the Government rules and regulations and the contract shall be followed.

(3) Remit, on a daily basis, a U. S. Treasury check and required supporting forms or documents to the Contractor for the face value, less any discounts, of travelers cheques issued that day. Remittances shall be mailed no later than the next business day following the day the travelers cheques were issued. The Government will consider the wire transfer of funds from designated high volume issuers of travelers cheques. In addition, the Government will work with the Contractor if remittances to cash concentration accounts are requested.

(4) Accept liability to the Contractor for the loss of blank cheques while in the accountability of the finance and accounting officer. Blank travelers cheques shall be in the accountability of the finance and accounting officer from the time the trust receipt is signed to the time of issuance by the FAO.

(5) Notify the Contractor immediately of any theft, loss or mysterious disappearance of blank travelers cheques, giving the particulars of the loss.

(6) Assist the Contractor in investigating cases of counterfeit, fraud, lost, or stolen cheques as are brought to its attention. Nothing in this paragraph shall restrict any liability under paragraph (4) above.

(7) Designate in writing to the Contractor the person or persons at each FAO location who are authorized to accept delivery of blank travelers cheques.

i Contractor Furnished Equipment - The Contractor shall provide all necessary office equipment, furnishings, supplies, systems, communications services, and related items necessary to conduct its operation, and in order to fulfill the contract requirements.

(j) Facilities Inspection - The Government will conduct an on-site inspection of any or all facilities prior to contract award.

SECTION C - Continued

C-1. STATEMENT OF WORK (Continued)

(i) Defense Contract Audit Agency - In addition to any other inspection clauses in this contract, the Defense Contract Audit Agency shall have access to all transactional records under this contract.

(j) Proposal Format - Proposal format is discussed in Section L.

C-2. DISCLAIMER STATEMENT

All reports resulting from this contract will contain the following disclaimer statement on the cover of such reports:

"The views, opinions, and findings contained in the report are those of the author(s) and should not be construed as an official Department of the Army position, policy, or decision, unless so designated by other official documentation."

SECTION F - DELIVERIES OR PERFORMANCE

F-1. DELIVERY

Delivery of travelers cheques shall begin on 1 July 1984 for immediate issuance and use by Department of the Army employees.

F-2. TERM OF CONTRACT

The period of this contract shall be from 1 July 1984 through 30 June 1985. The Government shall have the option of extending the performance period, subject to the terms and cooditions herein, for two additional twelve (12) months periods, provided that the Contracting Officer furnishes written notice to the Contractor thirty (30) days prior to the expiration date of the existing term. The duration of this contract, to include any option periods exercised, shall not exceed thirty-six (36) months.

SECTION G - CONTRACT ADMINISTRATION DATA

G-1. CONTRACTING OFFICER'S REPRESENTATIVE (COR)

(a) The Contracting Officer's Representative (COR) for this contract is CPT John Herko. CPT Herko's address is Commander, U. S. Army Finance and Accounting Center, Attn: DACA-FAY-A, Indianapolis, IN 46249, and his telephone numbers are (317) 542-3280 or Autovon 699-3280. The COR is designated to receive for the Government reports and other material called for in the contract and to represent the Contracting Officer in the technical phases of the work.

(b) The COR is not authorized to change any of the terms or conditions of the contract. Changes shall only be made by the Contracting Officer by a properly signed, written modification to the contract.

APPROXIMATE NUMBER OF LOCATIONS ACCEPTING TRAVELERS CHEQUES AS OF 5/31/84

	CONTINENTAL U. S.	HAWAII	ALASKA	PANAMA	ENGLAND	GERMANY	ITALY	SAUDI ARABIA	KOREA	JAPAN	OTHE
COMMON CARRIERS	100%	100%	100%	85%	85%	85%	85%	85%	85%	85%	85%
LODGING ESTABLISHMENTS	100%	100%	100%	85%	85%	85%	85%	85%	85%	85%	85%
CAR RENTAL FIRMS	100%	100%	100%	85%	85%	85%	85%	85%	85%	85%	85%
FINANCIAL INSTITUTIONS	90%	90%	90%	100%	100%	100%	100%	100%	100%	100%	100%

APPROXIMATE NUMBER OF LOCATIONS AUTHORIZED TO REFUND LOST/STOLEN/DESTROYED TRAVELERS CHEQUES

	CONTINENTAL U. S.	HAWAII	ALASKA	PANAMA	ENGLAND	GERMANY	ITALY	SAUDI ARABIA	KOREA	JAPAN	OTH
FINANCIAL INSTITUTIONS	19,143	177	83	34	90	305	462	73	15	1032	207
TRAVEL AGENCIES	-	-	-	-	-	-	-	-	-	-	-
HILTON HOTELS	67	2	1	-	-	-	-	-	-	-	-
WESTERN UNION	9,000+*			-	-	-	-	-	-	-	-

* 9,000+ Western Union locations are able to provide emergency refunds in the U.S.A. Does not include additional outlets in Canada, Mexico, and the Caribbean able to provide limited service on a case basis.

SECTION I - GENERAL PROVISIONS

I-1. CLAUSES INCORPORATED BY REFERENCE (APR 1984)

This contract incorporates the following clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available.

I. FEDERAL ACQUISITION REGULATION (48 CFR CHAPTER 1) CLAUSES

Title	Date	Reference
Definitions	APR 1984	52.202-01
Officials Not to Benefit	APR 1984	52.203-01
Gratuities	APR 1984	52.203-03
Covenant Against Contingent Fees	APR 1984	52.203-05
Priorities, Allocations, and Allotments	APR 1984	52.212-08
Utilization of Small Business Concerns and Small Disadvantaged Business Concerns	APR 1984	52.219-08
Utilization of Women-Owned Small Businesses	APR 1984	52.219-13
Preference for Labor Surplus Area Concerns	APR 1984	52.220-01
Utilization of Labor Surplus Area Concerns	APR 1984	52.220-03
Convict Labor	APR 1984	52.222-03
Equal Opportunity	APR 1984	52.222-26
Affirmative Action for Special Disabled and Vietnam Era Veterans	APR 1984	52.222-35
Affirmative Action for Handicapped Workers	APR 1984	52.222-36
Limitation on Withholding of Payments	APR 1984	52.232-09
Assignment of Claims	APR 1984	52.232-23
Disputes - Alternate I	APR 1984	52.233-01
Notice and Assistance Regarding Patent and Copyright Infringement	APR 1984	52.227-02
Interest	APR 1984	52.232-17
Examination of Records by Comptroller General	APR 1984	52.215-01
Audit - Negotiation	APR 1984	52.215-02
Facilities Capital Cost of Money	APR 1984	52.215-30
Waiver of Facilities Capital Cost of Money	APR 1984	52.215-31
Termination (Cost Reimbursement)	APR 1984	52.249-06
Allowable Cost and Payment	APR 1984	52.216-07
Insurance - Liability to Third Persons	APR 1984	52.228-07
Notice of Intent to Disallow Costs	APR 1984	52.242-01
Subcontracts Under Cost-Reimbursement and Letter Contracts	APR 1984	52.244-02
Excusable Delays	APR 1984	52.249-14
Government Property (Cost-Reimbursement, Time-and-Material, or Labor-Hour Contracts)	APR 1984	52.245-05
Changes - Cost Reimbursement - Alternate I	APR 1984	52.243-02
Patent Indemnity	APR 1984	52.227-03
Authorization and Consent	APR 1984	52.227-01
Limitation of Liability - Services	APR 1984	52.246-25

ATTACHMENT #3

TRAVELERS CHEQUE CORPORATE ACCOUNTS
(TOP 10)
CONTINENTAL UNITED STATES

	Company Name	Point of Contact	Title	Telephone	1983 Volume	1984 Est Volume
1.	General Dynamics	V.L. Allwardt	Chief. of Admin.	(805) 277-3673	28,566,520	32,850,000
2.	Westinghouse	Dolores S. Nelson	Cashier	(408) 735-2274	19,188,110	21,100,000
3.	Hughes Aircraft	Richard Delgado	Cashier	(213) 615-8775	14,628,370	16,100,000
4.	I.B.M. Corporation	C.R. Bogon	Controller	(408) 256-2214	14,437,940	16,602,000
5.	Rockwell Intl.	Floyd Thompson	Audits & Adjust.Dept.	(213) 647-5424	14,250,630	15,075,000
6.	Motorola	John Garrity	Domestic Cash Operat.	(312) 576-4968	7,711,720	8,484,000
7.	Hewlett Packard	M. Rouleau	Controller	(408) 996-9800 Ext-2274	5,238,730	6,025,000
8.	TRW	Molly Borden	Cashier	(213) 536-1771	4,565,910	5,100,000
9.	Intel Corp.	Hattie D. Malone	Sys.& Serv. Superv.	(408) 987-8891	3,895,240	4,284,500
10.	Continental Can	Marge Costello	Treasury Dept.	(203) 964-6062	1,963,150	2,257,000

TRAVELERS CHEQUE CORPORATE ACCOUNTS
(TOP 10)
INTERNATIONAL

	Company Name	Point of Contact	Title	Telephone	1983 Volume	1984 Est Volume
1.	Cavendes	Carlos Mazquiaran	Mgr. Admn.	2846211	835,610	925,000
2.	I.B.M. (Mexico)	Jose Maria Flanc Rodriguez	Mgr.Gen.Services Dept.	2509011	395,700	425,000
3.	Viajes Dinera	Luis Yanez	Manager	922520	348,900	360,000
4.	Televisa	C.P.Edmar Carrillo Duarte	Gerente De Tesoreria	585333	292,100	310,000
5.	Exprinter	Carlos Rosenfeld	Gen. Manager	330571-9	147,110	165,000
6.	Del Monte Int'l	Francia Ching	Manager	5257061	144,400	165,000
7.	Metro America	Jose Regarado	Manager	5718122	114,240	128,000
8.	General Motors	Mr. J. Dens	Director	031 421100	107,700	125,000
9.	United Nations	Robert J. Molineaux	Jefe de Admn.		83,580	100,000
10.	Cerveceria Moctezuma	Ma. Laura G. Fortanell	Cajera General	5662433	60,000	70,000

APPENDIX C

CITICORP DINERS CLUB GOVERNMENT CARD PROGRAM

COLLECTION PROCEDURES — DELINQUENT ACCOUNTS

Delinquency Category	To the Employee	To the Agency
30 Days Past Due (Second consecutive billing)	• A delinquency notice will appear on the employee's billing statement. • If the amount past due exceeds the established spending guidelines, the Account Specialist may call the employee	• Delinquency is reflected on both the TRIAL BALANCE and RECAP EXCEPTION reports. • The coordinator is notified of all calls made to employees.
35 Days Past Due	• A CA-1 Collection Letter will be sent informing employee of late payment.	
45 Days Past Due	• A past due reminder letter is sent to the employee.	• Coordinator is also notified of follow-up calls made to employees. • Coordinator receives a 45-days past due list of delinquent accounts.
60 Days Past Due (Third Consecutive Billing)	• A CA-2 Collection Letter informing the employee of card suspension is sent. • Active telephone contacts are started and promises for payment are followed up. • Account is reviewed for cancellation.	• A copy of the CA-2 Collection Letter is sent to the Coordinator. • Delinquency is reflected on both the TRIAL BALANCE and RECAP EXCEPTION reports.
75 Days Past Due (continued)	• A CA-2 Collection Letter is sent to employee. • Cardmember is notified by telephone of continued delinquency.	• Coordinator receives a 75-days past due list of delinquent accounts • Coordinator is also alerted of on-going delinquency and upcoming possible cancellation

Delinquency Category	To the Employee	To the Agency
75 Days Past Due (continued)	• Charge privileges may be suspended. • It is possible for the employee to continue to use the card if charges are below the established limits. If the charge exceeds the limits it will be denied. • Follow-up is continued until account is paid. • Delinquent accounts may be cancelled	
90 Days Past Due	• The delinquent account may be cancelled • The account may be referred to pre-Legal for disposition.	• Coordinator is notified of cancelled account.

NOTE: Exceptions to Collection Procedures are as follows:
- Termination of employment results in automatic cancellation
- Lost or stolen cards are automatically cancelled and re-issued with new numbers
- Adverse actions may not be taken if delinquency is small, if it is justified or if payment arrangements have been made
- Exceptions may be allowed when discussed and approved by Citicorp Diners Club management
- Cards will not be cancelled without prior consultation with Program Director.

The following is a Collection Matrix detailing the monetary criterion for each phase of the collection process.

DELINQUENCY ACTION	30 Days						45 Days						60 Days						75 Days						90 Days						120 Days					
	A	B	C	D	E	F	A	B	C	D	E	F	A	B	C	D	E	F	A	B	C	D	E	F	A	B	C	D	E	F	A	B	C	D	E	F
Mild Reminder - CA1	x	x	x	x	x	x																														
For Accounts Delinquent More Than $50 - Send List to Coordinator							x	x	x	x	x	x																								
Aggressive Letter - CA2													x	x	x	x	x	x																		
Telephone Contact													x	x	x	x	x	x																		
Obtain Credit Report - If applicable and not already obtained														x	x	x	x	x	x																	
Notify Coordinator													x	x	x	x	x	x		x	x	x	x	x	x	x	x	x	x	x						
Charge Suspension													x	x			x	x	x	x	x	x														
Charge Suspension If Total Balance Exceeds Guideline															x	x																				
Determine If Account should be Cancelled per Contractual Agreement																			x	x	x	x	x	x												
Cancel Account If not Guaranteed by Agency																															x	x	x	x	x	x
Continued Follow-Up on Account until paid																			x	x	x	x	x													
Refer Account to Pre-Legal																															x	x	x	x	x	x

DELINQUENCY BALANCE CRITERIA:

A = More than $50 - Less than $100
B = More than $100 - Less than $5000 (D-12 times delinquent in 12 Months)
C = Over $5000 (Regardless of Pay History)
D = Under 50% of Guideline (D-3 Times Delinquent in 12 Months)
E = Over 50% of Guideline (3 Times Delinquent in 12 Months)
F = Over $100 (4 or more Times Delinquent in 12 Months)

INTERRUPTIONS TO MATRIX:

1. Terminations are automatically cancelled.
2. Lost or stolen cards are automatically cancelled.
3. Certain actions may not be taken if delinquency has been explained and justified or payment arrangements have been made.
4. Exceptions may be allowed when discussed and approved by management.
5. Cancellation if derogatory information is contained in Credit Bureau Report.
6. Cards will not be cancelled without prior consultation with Program Director.

SAMPLE: 30-DAY DELINQUENCY ADVICE FROM CITICORP DINERS CLUB

January 26, 1984

RE: Account No.: _____
Balance Due: _____

Dear _____

As of _____, we have not received your payment for your past due balance of $_____.

If your payment has already been mailed, please disregard this notice. However, if this is not the case, please send your payment today for the amount shown above.

Should you require assistance or have questions regarding your account, please call me at (303) 799-9000. In the meantime, we would appreciate payment of the unquestioned amount.

Sincerely,

_____

Account Specialist

CA1 (1/84)

SAMPLE: 60-DAY DELINQUENCY ADVICE FROM CITICORP DINERS CLUB

January 26, 1984

RE: Account No.: _____
Balance Due: _____

Dear _____

We have tried unsuccessfully several times to reach you regarding your past due Citicorp Diners Club Government account. We would like to offer you the opportunity to pay your past due balance of $ _____ before we contact your Program Director for assistance.

We will expect to receive your check by _____. If there is a problem or question about your account, please pay the unquestioned amount and contact me at (303) 799-9000 to discuss your concern.

In order for us to allow you continued charge privileges, your prompt personal attention to this matter is required.

Sincerely,

_____

Account Specialist

CA2 (1/84)

SAMPLE: 90-DAY DELINQUENCY ADVICE FROM CITICORP DINERS CLUB

January 26, 1984

RE: Account No.: _____
Balance Due: _____

Dear _____

Your Government account has been cancelled, and continued use of your Diners Club Government Card(s) is unlawful. Please cut the credit card issued to you on behalf of (Agency) in half and return it in the enclosed envelope, or you may complete, sign and return the following certificate.

I CERTIFY I (RETURNED), (LOST), (DESTROYED) THE CITICORP DINERS CLUB GOVERNMENT CARD ON OR ABOUT _____, 19 _____.

SIGNATURE _____ DATE _____

Sincerely,

_____

Account Specialist

cc: (Program Director)

SAMPLE: MEMO TO EMPLOYEE FROM AGENCY INFORMING DELINQUENCY

TO: DATE:

FROM:

SUBJECT: CITICORP DINERS CLUB PAST DUE NOTICE

RE: ACCOUNT NUMBER 3889

The Citicorp Diners Club Trial Balance Report dated _____ shows your account is now delinquent.

Our agreement with Citicorp Diners Club requires that all outstanding charges be paid upon receipt of your Citicorp Diners Club monthly statement. Your charge privileges will be subject to suspension if you do not bring your account to a current status prior to the next billing date.

Any questions concerning your statement should be addressed to:

Citicorp Diners Club
PO Box 5064
Denver, CO 80217
Attn: Government Services

Please submit your payment for the total balance, both current and past due, to Citicorp Diners Club promptly. Our record indicates the amount required to bring your account current is $_____.

Regards,

SAMPLE: SECOND WARNING TO EMPLOYEE

TO: DATE:

FROM:

SUBJECT: CITICORP DINERS CLUB DELINQUENCY NOTICE

RE: ACCOUNT NUMBER 3889

The Citicorp Diners Club Trial Balance Report dated _____ shows your account has still not been settled.

Our agreement with Citicorp Diners Club requires that all outstanding charges be paid upon receipt of your Citicorp Diners Club monthly statement. Your charge privileges will be subject to suspension and cancellation if you do not bring your account to a current status immediately.

Any questions concerning your statement should be addressed to:

Citicorp Diners Club
PO Box 5064
Denver, CO 80217
Attn: Government Services

Please complete the following information and return this notice at once to my attention.

Amount Paid: $ _____

Date Paid: _____

Signature: _____

Regards,

SAMPLE: FINAL NOTICE TO EMPLOYEE

TO: DATE:

FROM:

SUBJECT: CITICORP DINERS CLUB FINAL NOTICE

RE: ACCOUNT NUMBER 3889

We have been advised by Citicorp Diners Club that your account remains delinquent. It is now seriously past due.

Our records show that your statement indicates a balance due of $_____. Please pay the total amount of the statement immediately.

Compliance is required to avoid remedial action that will result in loss of your Government Card charge privileges.

Regards,

STANDARD REPORTING PACKAGE

Determine Management Reporting Requirements

Citicorp Diners Club provides you with a comprehensive selection of monthly reports to enhance management the Diners Club Government program.

The reports are designed to help you:

- Plan budgets
- Track spending
- Monitor departments and cost centers
- Assure adherence to budgets
- Reduce administrative costs
- Help negotiate better vendor discounts

Sort Sequence Selection

To provide reports that will satisfy each Agency's accounting needs, sort sequences may be designated for each summary account. The sort sequence facilitates the collection of information by providing it in a set format, thus eliminating the tedious chore of having to manually extract specific information from the body of a report.

The sort sequence is a breakdown by category as specified by the Agency. These categories are entered on the Application (Exhibit 1) in the Optional Employee Data Field. For example, if the Agency requires their reports divided by region and/or division, they may enter regional and divisional codes (alpha-numeric) in either Field 1 or 3 on the Application (Exhibit 1), and specify the sort sequence. The sort sequence will not only ensure a specific breakdown by Fields 1 and 3, but will also sub-total the data.

It is important to note that although an Agency may feel certain information is necessary in their management reports, and they enter this information on the Application (Optional Data Fields), this does not necessarily mean the reports must sort by this information. It simply means that the information will be printed out with the employee's name and card number. For example: If the Agency fills out Field 1 (Cost Center), but elects an alphabetical sort sequence, the report will only sort alphabetically, but will indicate the Cost Center by the employee name in the Cost Center Field.

Standard Reports Include:

- **R.E.C.A.P.**

  Review of Employee Charge Activity Performance

  RECAP is a management tool which lists:

  - Monetary activity by employee for the current month billing period as well as YTD activity.

  - Spending activity grouped by type of service category including number of transactions as well as dollar amounts.

- **R.E.C.A.P. Exception Listing**

  This report is designed to alert you to any accounts which may require special attention, such as:

  - Government Cards reported to be lost, stolen or cancelled which still show current activity.

  - Accounts which have a spending adjustment and/or total charges exceeding the monthly guidelines determined by the agency.

  - The total dollar amount of past due accounts as well as the oldest aging category.

- **Projected Renewal Report**

  The Renewal report lists:

  - Employee accounts which will expire within a three month period.

  - The corresponding cumulative charge activity for the account during the preceding nine months.

  Account cancellations or known address changes should be reported to Citicorp Diners Club so interrupted service can be provided to all employees receiving a new Government Card.

- **Agency Member List**

  This report is an account listing of all employees enrolled in the Government Card System. It lists the individual's name, account number, address, department and Card expiration date. The Member List can be created monthly or when needed.

A separate Member List will be provided when the Government Travel System is implemented. Since there are no cards issued, the SATO or Travel Management Center will use this report to determine the account numbers against which employee charges should be billed.

- **Individual Account Activity Summary**

  - Details all monthly employee debit and credit charge activity.

  - Contains the information reported in the employee's monthly statement.

  - Provides a continuous report format for use in reconciling account activity.

- **Trial Balance Report**

  This report helps monitor employee payment delinquencies.

  - Report is sorted by past due balances with the oldest aging category first (i.e., 120, 90, 60, 30-day history).

  - Employees with current balances or credits due appear last.

  - Agency totals are reflected at the end of the report.

- **Vendor Analysis Report**

  This report:

  - Allows the Agency to analyze pricing strategy with vendors to realize more favorable discount rates.

  - Summarizes analysis of spending by establishments listed geographically by state and city.

  - Reflects the frequency of and total dollar amounts for all car rental and hotel/motel chain transactions.

  - Summarizes, by category, charge activity for restaurants and major airlines.

- **Airline Credit Report**

  This Report lists:

  - Individual transactions.

  - Dollar amounts of all airlines credits issued to accounts.

Allowing you to:

- Monitor all employee airline credit activity.

- Review full or partial (i.e., down-graded tickets) refunds to individually billed employees.

* **Monthly Volume Report**

  This report provides an agency with a monthly analysis of all charge activity which:

  - May be produced quarterly.

  - May be provided as a year-end summary.

  - Reflects the number of cards issued for each summary account location.

  - Can be sorted by employee account number, cost center, department, etc., in accordance with the specific needs of the agency.

* **Monetary Activity Report**

  For use with automated systems.

Special Reports Include:

GSA is provided additional reporting which tracks federal travel expenditures on an aggregate basis. The reports produced include:

* **Audit Report**

  The Audit Report lists, by account number, all monetary transactions exceeding $300. This report is used by the Office of Transportation Audits to track high dollar volume charge items incurred on all Government Accounts.

* **Common Carrier Report**

  The Common Carrier Report provides the Office of Transportation Audits with a list of all Common Carrier Transactions and the corresponding Fare basis and leg information.

RECAP REPORT

Review of Employee Charge Activity and Performance

This report allocates employee expenditures to six selected travel and living categories. The format in which the monetary and transaction data is presented is determined by the Agency (Sort options available are: employee number, last name, cost center, social security number, department).

RECAP

PAGE 1

GENERAL SERVICES ADMINISTRATION
941 JEFFERSON DAVIS HIGHWAY
WASHINGTON, DC 20406

DINERS CLUB GOVERNMENT CARDS
REVIEW OF EMPLOYEE CHARGE ACTIVITY AND PERFORMANCE

ACCOUNT # 38834567-00000-0
THROUGH # 38834567-99999-9

BILLING DATE 09/30/82

FISCAL YEAR ENDING 03/83

							ANALYSIS OF CHARGES BY TYPES OF SERVICE											
CARD NO.	NAME NUMBER	TOT. AMT. NOW DUE	CR. ADJS. #	CR. ADJS. $	TOT. CHGS. #	TOT. CHGS. $	RESTAURANTS #	RESTAURANTS $	HOTEL/MOTEL #	HOTEL/MOTEL $	AIRLINES #	AIRLINES $	CAR RENTAL #	CAR RENTAL $	OTH-TRN #	OTH-TRN $	FOREIGN #	FOREIGN $	OTHER CHRGS. #	OTHER CHRGS. $
00010	GERIG, O	1926	2	2634	23	2036	4	130	4	314	5	1382	0	0	0	0	8	158	2	51
	YTD TOTALS		4	2922	129	12174	32	1009	27	3561	18	6595	0	0	0	0	50	957	2	51
	$4TH/$YTD AVGS.		1317	730	88	94	32	31	78	131	276	366	0	0	0	0	19	19	25	25
00020	BENJAMIN, R	222	0	0	4	222	2	169	0	0	0	0	0	0	0	0	2	53	0	0
	YTD TOTALS		1	25	44	1599	4	270	3	439	0	0	0	0	0	0	37	889	0	0
	$4TH/$YTD AVGS.		0	25	55	36	84	67	0	146	0	0	0	0	0	0	26	24	0	0
00030	BINIEK, D	-815	1	840	1	25	0	0	0	0	0	0	0	0	0	0	1	25	0	0
	YTD TOTALS		1	840	28	7162	7	424	7	2494	7	3125	0	0	0	0	6	133	1	984
	$4TH/$YTD AVGS.		840	840	25	255	0	60	0	356	0	446	0	0	0	0	25	22	0	984
00040	BRANDENBURG, J	148	0	0	5	148	1	54	0	0	0	0	0	0	0	0	4	93	0	0
	YTD TOTALS		1	19	63	6309	9	593	4	2600	14	1639	2	395	0	0	33	736	1	345
	$4TH/$YTD AVGS.		0	19	29	100	54	65	0	650	0	117	0	197	0	0	23	22	0	345
00050	MANTELLO, G	230	1	1549	4	230	2	45	2	185	0	0	0	0	0	0	0	0	0	0
	YTD TOTALS		1	1549	47	4890	20	312	13	2754	2	259	8	1489	0	0	4	75	0	0
	$4TH/$YTD AVGS.		1549	1549	57	104	22	15	92	211	0	129	0	186	0	0	0	18	0	0
00060	CANADY, C	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	YTD TOTALS		0	0	13	196	4	60	2	67	0	0	0	0	0	0	7	68	0	0
	$4TH/$YTD AVGS.		0	0	0	15	0	15	0	33	0	0	0	0	0	0	0	9	0	0
00070	MORRISON, F	2163	0	0	14	2163	4	60	4	1603	0	0	1	448	0	0	5	52	0	0
	YTD TOTALS		3	48	87	9295	32	613	22	4791	6	2041	4	1619	0	0	23	229	0	0
	$4TH/$YTD AVGS.		0	16	154	106	15	19	400	217	0	340	448	404	0	0	10	9	0	0

GENERAL SERVICES ADMINISTRATION
941 JEFFERSON DAVIS HIGHWAY
WASHINGTON, DC 20406

ACCOUNT 38834567
PROJECTED RENEWAL REPORT
CARDS EXPIRING BY: 12/82

FOR BILLING PERIOD
FROM: 08/31/82
TO: 09/30/82

COR195 REV-0
RUN DATE 10/02/82
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IND, ID	NAME	EXP. DATE	DATE OPEN	YTD CHARGES	USER CHANGE REQUESTS ADDRESS	CITY	STATE	ZIP	CANCEL Y	CANCEL N
00040-1	BRANDENBURG, J	12/82	11/81	6309.21						
00050-0	MANTELLO, G	11/82	10/81	4890.16						
00120-1	EBERT, S	11/82	10/81	30.00						
00130-0	DOUGLAS, J	12/82	11/81	1374.86						

INDIVIDUAL ACCOUNT ACTIVITY SUMMARY

This report details debit and credit activity for each additional account. It provides the Agency with a continuous report format to use in reconciling account activity.

GENERAL SERVICES ADMINISTRATION
941 JEFFERSON DAVIS HIGHWAY
WASHINGTON, DC 20406

ACCOUNT 38834567

INDIVIDUAL ACCOUNT ACTIVITY SUMMARY

FOR BILLING DATE
09/30/82

COR156-01 LVL-01
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PAGE 1

NAME ACCOUNT NUMBER/EMPLOYEE NUMBER EMPLOYEE ID/DEPT/CC	REFERENCE NUMBER	DATE	DESCRIPTION	CHARGES	CREDIT	NET
GERIG, D						
3803-456700-0104						
/ /	24888793	7/22	STANDARD OIL COMPANY*	24.25		
	24252991	7/24	STANDARD OIL COMPANY*	26.00		
	24855893	8/01	STANDARD OIL COMPANY*	19.00		
	24855865	8/07	STANDARD OIL COMPANY*	19.37		
	24328892	8/11	CAMERART*	25.40		
	24535953	8/15	EASTERN AIRLINES			
			GERIG/D			
			TICKET NO. 077139848440	157.00		
	24536036	8/15	AMERICAN AIRLINES			
			GERIG/D			
			TICKET NO. 001713984843I	639.00		
	24558294	8/17	WINDOWS ON THE WORLD*	63.00		
	24558299	8/17	WINDOWS ON THE WORLD*	8.54		
	75921931	8/17	STANDARD OIL COMPANY*	17.00		
	26022177	8/19	STANDARD OIL COMPANY*	23.00		
	24597007	8/20	CAMERART	26.24		
	74602711	8/22	RAMADA INN DALLAS			
			GERIG/D	89.36		
	25546233	8/24	TEXAS INTL AIRLINES			
			GERIG/D			
			TICKET NO. 0337148782101	90.00		

GENERAL SERVICES ADMINISTRATION
941 JEFFERSON DAVIS HIGHWAY
WASHINGTON, DC 20406

ACCOUNT 38834567
TRIAL BALANCE REPORT COMPREHENSIVE INDIVIDUAL

FOR BILLING PERIOD
FROM: 09/01/82
TO: 09/30/82

COR190-01 LVL-04
RUN DATE 10/02/82
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NAME ACCOUNT NUMBER/EMPLOYEE NUMBER EMPLOYEE ID/DEPT/CC	EMPLOYEE ACCOUNT ACTIVITY						
	OLD BALANCE	PAYMENTS	NEW CHARGES	CREDIT RETURNS	DC DEBIT ADJ	DC CREDIT ADJ	NEW BALANCE
			AGING CURRENT				
ADAM, M 38834567-00100-3 / /	844.99	844.99	1,277.58				1,277.58
EMPLOYEE AGING STATUS	CURRENT:	1,277.58	30 DAY:	60 DAY:	90 DAY:	120 DAY:	
BRANDENBURG, J 38834567-00040--1 / /	301.50	301.50	148.45				148.45
EMPLOYEE AGING STATUS	CURRENT:	148.45	30 DAY:	60 DAY:	90 DAY:	120 DAY:	
BENJAMIN, R 38834567-00020-3 / /	191.50	191.50	222.00				222.00
EMPLOYEE AGING STATUS	CURRENT:	222.00	30 DAY:	60 DAY:	90 DAY:	120 DAY:	
COOK, J 38834567-00090-6 / /	258.43	258.43	234.52				234.52
EMPLOYEE AGING STATUS	CURRENT:	234.52	30 DAY:	60 DAY:	90 DAY:	120 DAY:	
DONNER, D 38834567-00110-2 / /	253.29	253.29	59.00				59.00
EMPLOYEE AGING STATUS	CURRENT:	59.00	30 DAY:	60 DAY:	90 DAY:	120 DAY:	
DOUGLAS, J / /	30.00	30.00	1,344.14				1,344.14
EMPLOYEE AGING STATUS	CURRENT:	1,344.14	30 DAY:	60 DAY:	90 DAY:	120 DAY:	

VENDOR ANALYSIS REPORT

This report is a summary of spending by establishment and geographically by state and city. It allows you to analyze pricing strategy with vendors. It covers all major car rentals, hotel/motel chains, restaurant, and major airlines.

GENERAL SERVICES ADMINISTRATION
941 JEFFERSON DAVIS HIGHWAY
WASHINGTON, DC 20406

ACCOUNT 38834567
VENDOR ANALYSIS REPORT - BY VENDOR
HOTEL/MOTEL

FOR BILLING PERIOD
FROM: 09/01/82
TO: 09/30/82

COR135-02 REV-001
RUN DATE 10/02/82
PAGE 2

NATIONAL ACCOUNT	STATE	CITY	ESTABLISHMENT	TRANSACTION COUNT DEBITS	TRANSACTION COUNT CREDITS	TRANSACTION AMOUNT DEBITS	TRANSACTION AMOUNT CREDITS	TRANSACTION NET AMOUNT
HILTON INTL-DOMESTIC								
	FLORIDA							
		FT LAUDRDLE	FT LAUDRDLE BCH HILTON	2	0	891.75	0.00	891.75
		TOTAL FT LAUDERDALE		2	0	891.75	0.00	891.75
	TOTAL FLORIDA-			2	0	891.75	0.00	891.75
	PENNSYLVANIA							
		TREVOSE	HILTON INN-NORTHEAST PHIL	1	0	324.12	0.00	324.12
		TOTAL TREVOSE		1	0	324.12	0.00	324.12
	TOTAL PENNSYLVANIA			1	0	324.12	0.00	324.12
TOTAL HILTON INTL-DOMESTIC				3	0	1,215.87	0.00	1,215.87
HOLIDAY INN								
	FLORIDA							
		BOCA RATON	HOLIDAY INN-GLADES RD	2	0	793.41	0.00	793.41
		TOTAL BOCA RATON		2	0	793.41	0.00	793.41
	TOTAL FLORIDA			2	0	793.41	0.00	793.41
	NORTH CAROLINA							
		DURHAM	HOLIDAY INN WEST	1	0	50.49	0.00	50.49
		TOTAL DURHAM		1	0	50.49	0.00	50.49
	TOTAL NORTH CAROLINA			1	0	50.49	0.00	50.49
	PENNSYLVANIA							
		KING/PRUSSIA	HOLIDAY INN	1	0	665.43	0.00	665.43
		TOTAL KING OF PRUSSIA		1	0	665.43	0.00	665.43
	TOTAL PENNSYLVANIA			1	0	665.43	0.00	665.43
TOTAL HOLIDAY INN				4	0	1,509.33	0.00	1,509.33

GENERAL SERVICES ADMINISTRATION
941 JEFFERSON DAVIS HIGHWAY
WASHINGTON, DC 20406

ACCOUNT 38834567
VENDOR ANALYSIS REPORT - BY VENDOR
AIRLINES

FOR BILLING PERIOD
FROM: 09/01/82
TO: 09/30/82

COR135-02 RL. 001
RUN DATE 10/02/82
PAGE 1

NATIONAL ACCOUNT	STATE	CITY	ESTABLISHMENT	TRANSACTION COUNT DEBITS	TRANSACTION COUNT CREDITS	TRANSACTION AMOUNT DEBITS	TRANSACTION AMOUNT CREDITS	TRANSACTION NET AMOUNT
AMERICAN AIRLINES								
	OKLAHOMA							
		TULSA	AMERICAN AIRLINES	2	0	1,002.00	0.00	1,002.00
		TOTAL TULSA		2	0	1,002.00	0.00	1,002.00
	TOTAL OKLAHOMA			2	0	1,002.00	0.00	1,002.00
TOTAL AMERICAN AIRLINES				2	0	1,002.00	0.00	1,002.00
EASTERN AIRLINES								
	FLORIDA							
		MIAMI	EASTERN AIR LINES	2	1	543.00	840.00	297.00-
		TOTAL MIAMI		2	1	543.00	840.00	297.00-
	TOTAL FLORIDA			2	1	543.00	840.00	297.00-
TOTAL EASTERN AIRLINES				2	1	543.00	840.00	297.00-
TEXAS INTL AIRLINES								
	TEXAS							
		HOUSTON	TEXAS INTL AIRLINES	2	1	200.00	110.00	90.00
		TOTAL HOUSTON		2	1	200.00	110.00	90.00
	TOTAL TEXAS			2	1	200.00	110.00	90.00
TOTAL TEXAS INTL AIRLINES				2	1	200.00	110.00	90.00
TRANS WORLD AIRLINES								
	MISSOURI							
		KANSAS CITY	TRANS WORLD AIRLINES	1	0	380.00	0.00	380.00
		TOTAL KANSAS CITY		1	0	380.00	0.00	380.00
	TOTAL MISSOURI			1	0	380.00	0.00	380.00
TOTAL TRANS WORLD AIRLINES				1	0	380.00	0.00	380.00
GRAND TOTAL FOR ALL AIRLINES				7	2	2,125.00	950.00	1,175.00

GENERAL SERVICES ADMINISTRATION
941 JEFFERSON DAVIS HIGHWAY
WASHINGTON, DC 20406

ACCOUNT 38834567
VENDOR ANALYSIS REPORT - LOCATION
DEBITS

FOR BILLING PERIOD
FROM: 09/01/82
TO: 09/30/82

COR135-01 REV-004
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STATE	CITY	ESTABLISHMENT	TRANSACTION COUNT	TRANSACTION AMOUNT
ARIZONA				
	PHOENIX	RAMADA INNS	2	127.25
DISTRICT OF COLUMBIA				
	WASHINGTON	RESTAURANTS	1	23.16
FLORIDA				
	BOCA RATON	RESTAURANTS	2	26.71
		HOLIDAY INNS	2	793.41
	FT LAUDERDALE	RESTAURANTS	1	10.25
		HILTON HOTELS	2	891.75
	MIAMI	EASTERN AIR LINES	2	543.00
IOWA				
	DES MOINES	STANDARD OIL COMPANY	19	363.12
ILLINOIS				
	BELLEVILLE	RESTAURANTS	1	15.00
	FAIRVIEW HTS	RAMADA INNS	1	110.00
MASSACHUSETTS				
	DANVERS	RESTAURANTS	1	21.80
MARYLAND				
	BETHESDA	UNITED INN OF AMERICA	1	64.90
MISSOURI				
	KANSAS CITY	TRANSWORLD AIRLINES	1	380.00
	SPRINGFIELD	SHERATON INNS	2	164.82
		BUDGET RENT-A-CAR	1	79.97
NORTH CAROLINA				
	DURHAM	HOLIDAY INNS	1	50.49
NEW JERSEY				
	PARSIPPANY	RESTAURANTS	2	169.00
	TRENTON	CAPITOL CAR WASH	1	6.04

GENERAL SERVICES ADMINISTRATION
941 JEFFERSON DAVIS HIGHWAY
WASHINGTON, DC 20406

ACCOUNT 38834567
VENDOR ANALYSIS REPORT - BY VENDOR
CAR RENTAL

FOR BILLING PERIOD
FROM: 09/01/82
TO: 09/30/82

COR135-02 REV-001
RUN DATE 10/02/82
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NATIONAL ACCOUNT	STATE	CITY	ESTABLISHMENT	TRANSACTION COUNT DEBITS	TRANSACTION COUNT CREDITS	TRANSACTION AMOUNT DEBITS	TRANSACTION AMOUNT CREDITS	TRANSACTION NET AMOUNT
AVIS RENT-A-CAR								
	NEW YORK							
		GARDEN CITY	AVIS RENT-A-CAR	1	0	448.39	0.00	448.39
		TOTAL GARDEN CITY		1	0	448.39	0.00	448.39
	TOTAL NEW YORK			1	0	448.39	0.00	448.39
TOTAL AVIS RENT-A-CAR				1	0	448.39	0.00	448.39
BUDGET RENT-A-CAR								
	MISSOURI							
		SPRINGFIELD	BUDGET RENT-A-CAR	1	0	79.97	0.00	79.97
		TOTAL SPRINGFIELD		1	0	79.97	0.00	79.97
	TOTAL MISSOURI			1	0	79.97	0.00	79.97
TOTAL BUDGET RENT-A-CAR				1	0	79.97	0.00	79.97
DOLLAR RENT-A-CAR								
	PENNSYLVANIA							
		PHILADELPHIA	DOLLAR RENT-A-CAR	1	0	288.03	0.00	288.03
		TOTAL PHILADELPHIA		1	0	288.03	0.00	288.03
	TOTAL PENNSYLVANIA			1	0	288.03	0.00	288.03
	TEXAS							
		HOUSTON	DOLLAR RENT-A-CAR	1	0	50.12	0.00	50.12
		TOTAL HOUSTON		1	0	50.12	0.00	50.12
	TOTAL TEXAS			1	0	50.12	0.00	50.12
TOTAL DOLLAR RENT-A-CAR				2	0	338.15	0.00	338.15

MONTHLY VOLUME REPORT

This report provides an agency with a monthly analysis of all charge activity which may be produced on a quarterly basis or as a year-end summary. The report reflects the number of cards issued under the Government Card System (GCS) and the amount of account numbers issued under the Government Travel System (GTS).

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